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## Application Proof of



(the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

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Number of [REDACTED] : [REDACTED] Shares (subject to reallocation)  
Number of [REDACTED] : [REDACTED] Shares (subject to reallocation and the [REDACTED])  
[REDACTED] : HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)  
Nominal Value : US\$0.0001 per Share  
[REDACTED] : [REDACTED]

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Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this document, including but not limited to the risk factors set forth in “Risk Factors” in this document.

The [REDACTED] have not been and will not be registered under the [REDACTED] in the United States and may not be [REDACTED], sold, pledged or transferred within or to the United States or for the account or benefit of U.S. persons (as defined in [REDACTED]), except in transactions exempt from, or not subject to, the registration requirements of the [REDACTED]. The [REDACTED] will be [REDACTED], sold and delivered (i) solely to [REDACTED] pursuant to an exemption from registration under [REDACTED] and (ii) outside the United States in offshore transactions in accordance with [REDACTED].

[REDACTED]

[REDACTED]

**IMPORTANT**

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[REDACTED]

**IMPORTANT**

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]



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## SUMMARY

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*This summary aims to give you an overview of the information contained in this document. Since it is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED].*

*There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in “Risk Factors.” You should read that section carefully before you decide to invest in the [REDACTED]. In particular, we are a biotech company seeking to list 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 investing in companies such as ours. Your investment decision should be made in light of these considerations.*

## OVERVIEW

We are an innovation- and R&D-driven biotech company dedicated to the development, manufacturing and commercialization of novel drugs for the treatment of viral infections, oncological and cardio-cerebrovascular diseases. Our mission is to improve human health through genuine innovation, with a particular focus on the antiviral and anti-tumor fields, and to explore and address drug resistance in existing treatment options. We aim to find new and better treatment options to address unmet medical needs.

### Excellent R&D Capabilities

We have an in-house R&D management team composed of senior experts in the field of international drug research and development. Dr. Du Jinfa (杜錦發), the chairman of our Board, executive Director, chief executive officer, chief scientific officer of our Company, recognized as “State Specially Recruited Experts (國家特聘專家)” by the PRC government, was one of the inventors of sofosbuvir, drug for treating hepatitis C which won the Prix Galien Award. *Cell* has commented that sofosbuvir is one of the most significant public health accomplishments of our generation. Our senior management personnel, such as Dr. Dang Qun, Dr. Luo Feng, Dr. Guo Changyue and Dr. Li Pan, all have served in internationally-renowned biomedical companies and has an average of nearly 30 years of extensive experience in the fields of innovative drug research and development, translational medicine, and clinical trial management, which has laid a solid foundation for our continuous innovation and global competitiveness. Leveraging our extensive experience in drug research and development, we have established a comprehensive research and development platform, including a highly selective novel nucleoside broad-spectrum anti-tumor drug R&D platform, a TOPO1 inhibitor and XDC drug R&D platform, a drug target discovery and validation platform, and an innovative drug design and optimization platform. These platforms cover the entire drug development process, from early target screening to preclinical research, to clinical trials and subsequent optimization, providing strong technical support and systematic safeguards to accelerate the discovery and development of innovative drugs.

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## SUMMARY

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### **A Robust Product Pipeline Driven by Ingenuity and Continuous Innovation Capability**

In terms of the treatment of viral infections, our Core Product, azvudine, a Class 1.1 innovative drug, was conditionally approved by the NMPA for the treatment of HIV infection and COVID-19 in July 2021 and July 2022, respectively. Azvudine was the first NMPA-approved oral antiviral treatment for COVID-19 developed by a Chinese company, demonstrating outstanding efficacy in treating viral infections. It not only inhibits viral replications but also enhances immune function, achieving a dual effect of “addressing both symptoms and root causes”. With cumulative sales exceeding 10 million bottles, the safety profile and efficacy of azvudine have been validated by real-world data and supported by 70 research papers published by independent third parties. With its unique dual target mechanism of action, azvudine has become the world’s first HIV infection treatment option for the dual-targeted inhibition of nucleoside reverse transcriptase and the Vif. In addition, in our Phase II clinical trial, azvudine achieved clinical efficacy comparable to that of lamivudine (another popular NRTI) at only 1% of the latter’s dose level. Leveraging its outstanding efficacy in viral infection treatment and the long-acting mechanism, our azvudine/CL-197 combination tablet shows the potential to become the global first all-oral, long-acting and weekly administered treatment for HIV. We have also been leveraging our independent R&D capabilities to expand the applications of azvudine in new indications and combination treatment in cancer treatment.

In terms of cancer treatment, we have discovered our Core Product, azvudine, has demonstrated broad-spectrum antitumor activity and is the only nucleoside anti-tumor drug with dual mechanisms and high selectivity in the past 30 years. It can exert its anti-tumor effects by inhibiting DNA synthesis in tumor cells and enhancing immunity through immunomodulation. We are continuously expanding the applications of our Core Product, azvudine, into new indications and combination treatment, including (i) azvudine/anti-PD-1 combination therapy for the treatment of liver and colorectal cancer, where 100% tumor remission was observed in animal studies; (ii) azvudine/dosimertinib combination therapy for the treatment of NSCLC, demonstrating a 92.82% tumor inhibition rate in animal models; and (iii) azvudine monotherapy and azvudine/CTX combination therapy for blood cancer, where single-agent treatment showed a significant inhibitory effect on blood tumors and combination treatment achieved 100% tumor remission in animal studies.

In addition, our TOPO1 inhibitor platform developed under our ZS-1003 project features an innovative non-camptothecin parent nucleus structure and demonstrates broad-spectrum anti-tumor activity. It has unique advantages in overcoming the resistance to commonly used anti-tumor drugs. Preclinical studies have shown that its inhibitory effect on irinotecan-resistant tumor cells is 400 times greater than that of irinotecan. It has the potential for broad application in various XDC (e.g. ADC, PDC, SMDC) drug conjugate projects as a novel payload, offering promising solutions to the drug resistance in a wide range of tumors.

### **Strong Production, Commercialization Capabilities, and Pipeline Advantages**

We have established our own manufacturing facilities, enabling an annual production capacity of approximately three billion tablets. These facilities are GMP-certified and are fully equipped to meet our current commercialization needs. We have also formed a professional commercialization team and a comprehensive commercialization management system, and also completed the layout of online and offline channels. Azvudine was officially included in the NRDL in 2023, and remained in NRDL after the successful renewal negotiation in 2024, maintaining both its reimbursement scope and pricing, ensuring stability and broad market access. Azvudine has been made accessible in 31 province-level administrative regions, covering over 50,000 medical institutions nationwide, which makes it available directly through medical institutions after it obtains approvals for new indications without having to repeat the medical institution admission procedures, further strengthening its market position.

## SUMMARY

### OUR PRODUCT PORTFOLIO

The following table summarizes our product portfolio and the status of each drug or drug candidate as of the Latest Practicable Date:

Field	Disease	Drug/ Drug Candidate	Target	Indication	Preclinical	Phase I	Phase II	Phase III	Commercialization Rights
Antiviral	HIV infection	Azvudine*	RT-eVif	HIV infection	NMPA conditional approval <sup>(1)</sup>				Global <sup>(3)</sup>
		CL-197	RT-p	HIV infection					Global
		All-oral long-acting composite tablet (Azvudine/CL-197)	RT-eVif/RT-p	HIV infection					Global
	COVID-19	Azvudine*	RdRp	COVID-19	NMPA conditional approval <sup>(2)</sup>				Global <sup>(3)</sup>
Antitumor	Solid tumor	Dosimertinib	EGFR	NSCLC					Global
		Azvudine/ dosimertinib	DNA-MDSC/ EGFR	NSCLC					Global
		Azvudine/ PD-1*	DNA-MDSC/ PD-1	Liver cancer <sup>(4)</sup>					Global
				Colorectal cancer <sup>(4)</sup>					Global
		ZS-1001 <sup>(5)</sup>	STING	Malignant tumor					Global
		ZS-1002 <sup>(5)</sup>	ENPP1	Malignant tumor					Global
		ZS-1003 <sup>(5)</sup>	TOPO1	Malignant tumor, Irinotecan-resistant tumor	ZSSW-136 <sup>(5)</sup>				
	ZS-1004 <sup>(5)</sup>	PSMA	Prostate Cancer, etc.	PCC Stage					Global
	Blood cancer	Azvudine*	DNA	Multiple myeloma <sup>(4)</sup>					Global
				Lymphoma <sup>(4)</sup>					Global
Acute leukemia <sup>(4)</sup>								Global	
	Azvudine/CTX*	DNA/ chemotherapy	Lymphoma <sup>(4)</sup>					Global	
CNS	AIS	MTB-1806	15-LOX-2	AIS					Global

\* Core Product

15-LOX-2: 15 lipoxygenase subtype 2  
 AIS: acute ischemic stroke  
 CNS: central nervous system  
 CTX: cyclophosphamide  
 EGFR: epidermal growth factor receptor

ENPP1: ectonucleotide pyrophosphatase/ phosphodiesterase 1  
 MDSC: myeloid-derived suppressor cells  
 NSCLC: non-small cell lung cancer

PD-1: programmed cell death protein 1  
 PSMA: prostate-specific membrane antigen  
 RdRp: RNA-dependent RNA polymerase  
 RT: reverse transcriptase  
 STING: stimulator of interferon genes  
 TOPO1: Topoisomerase I  
 Vif: a type of accessory protein in HIV

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## SUMMARY

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*Notes:*

- (1) We obtained a conditional approval of azvudine for the treatment of HIV infection from the NMPA in July 2021. Pursuant to the approval, we could commence commercial sales of azvudine for the HIV indication in China and shall conduct a Phase III clinical trial, submit safety reports periodically and submit a Phase III clinical trial report within five years from the date of approval. See “Business—Our Product Portfolio—Our Antiviral Drug and Drug Candidates—HIV Drug Pipeline—Azvudine.”
- (2) We obtained a conditional approval from the NMPA for indication expansion of azvudine to the treatment of common COVID-19 in adults in July 2022. Pursuant to the approval, we could commence commercial sales of azvudine for the COVID-19 indication in China and shall (i) conduct pharmacodynamic studies of azvudine against mutant variants of the SARS-CoV-2 virus; (ii) actively progress ongoing clinical trials of azvudine and submit trial reports upon completion; (iii) continue to collect efficacy and safety clinical data post-approval; and (iv) submit the required materials within three years of approval.
- (3) In April 2020, Henan Genuine entered into a framework agreement with Beijing Union to authorize Beijing Union to fully carry out registration applications, clinical trials and market collaboration matters of azvudine in Russia and Ukraine. Beijing Union will be the MAH and act as the manufacturer of azvudine in Russia and Ukraine after it obtains marketing approval in these countries. As of the Latest Practicable Date, Beijing Union had completed phase III clinical trial for azvudine as a COVID-19 treatment and was approved for marketing by the Russian MoH in February 2023, but we had not generated any income under this collaboration arrangement. In June 2020, Henan Genuine entered into a tripartite framework agreement with Beijing Union and an Independent Third Party agent to authorize Beijing Union to cooperate with the agent to carry out registrations, clinical applications and market collaboration matters of azvudine for treating COVID-19 in Brazil and the Union of South American Nations (UNASUR). In November 2021, Henan Genuine entered into a supplemental tripartite collaboration with Beijing Union and an affiliate of the agent, who is also an Independent Third Party. Pursuant to these agreements, after azvudine for the COVID-19 indication is approved for marketing in Brazil, Beijing Union shall act as the manufacturer for such product in Brazil and the affiliate shall be the MAH of azvudine in Brazil and have exclusive marketing rights in Brazil and the other regions of South America.  
  
See “Business—Our Technology Transfer Arrangements and Collaborations” for details.
- (4) We had obtained an IND approval from the NMPA for the clinical trials of azvudine in patients with advanced solid tumors, and initiated a Phase I clinical trial in January 2025 with three patients enrolled as of the Latest Practicable Date, the results of which are expected to be used to support the design of future combination studies and full development of solid tumor indications. Such data will also be used to support the development for the treatment of blood cancer as the safety, tolerability and PK data are inherently applicable for later-phase clinical trials of other cancers.
- (5) ZS-1001, ZS-1002, ZS-1003 and ZS-1004 are our drug discovery projects under which one or more compounds may be found. As of the Latest Practicable Date, we had discovered a PCC compound, ZSSW-136, under project ZS-1003 and another ADC PCC compound under ZS-1004.

### **HIV Drug Pipeline**

#### *Azvudine*

Azvudine, our Core Product, is a pyrimidine nucleoside drug with broad-spectrum antiviral activity. According to Frost & Sullivan, azvudine is the world’s only dual-targeted oral nucleoside drug for the treatment of HIV that acts as both an NRTI and a Vif co-protein inhibitor (NRTIs refer to nucleoside reverse transcriptase inhibitors, a class of first-line antiretroviral therapy (ART) drugs commonly used for the treatment of HIV infections, while Vif co-protein inhibitors protect a human enzyme with innate antiviral activity from the effects of HIV). Therefore, azvudine can be used in combination with antiretroviral drugs of different

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## SUMMARY

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regimens as the backbone of multiple two- or three-arm ART regimens. It provides an effective and safe treatment option for HIV-infected patients, especially those who have developed resistance to existing nucleoside anti-HIV drugs.

In our Phase II clinical trial, azvudine achieved clinical efficacy comparable to that of another popular NRTI (lamivudine) at only 1% of the latter's dose level, and we believe it is less likely to result in drug-resistance compared to single-target NRTIs given its dual-target mechanism. Moreover, azvudine has demonstrated the potential to become part of an oral long-acting treatment for HIV infection due to its long-acting feature. To further exploit the strength of azvudine, we also plan to develop the azvudine/CL-197 composite tablet with azvudine being the main ingredient, which has the potential to emerge as the first all-oral, long-acting and once-weekly administered combination drug in the world for the treatment of HIV infection.

We obtained a conditional approval from the NMPA in July 2021 for azvudine for the treatment of HIV-1 infected patients, which constitute over 90% of all HIV-infected patients globally, over age 18 and with high viral load. Pursuant to such approval, we shall conduct a Phase III clinical trial, submit safety reports periodically and submit a Phase III clinical trial report within five years from the date of approval. We initiated the Phase III clinical trial in June 2022 and completed patient enrollment in August 2023. We expect to complete the Phase III clinical trial and submit clinical trial report to the NMPA by the end of 2025.

### ***CL-197***

CL-197 is a novel oral HIV drug candidate under development with potential long-acting mechanism, as demonstrated in pharmacokinetic studies in animal models under oral gavage administration with a half-life period of over 168 hours. CL-197 will be administered orally and has the potential of being administered only once per week. Such relatively convenient drug regimen may also improve medication compliance and thus improve clinical outcomes. We submitted an IND application for CL-197 in China in July 2022 and received the IND approval in October 2022. We commenced the Phase I clinical trial for CL-197 in August 2023. As of the Latest Practicable Date, the clinical trials on all the 44 patients enrolled had been completed, and we were analyzing the data collected. We expect to complete this Phase I trial in 2025. As part of our global expansion strategy, we also plan to apply for IND for CL-197 in jurisdictions overseas.

### ***Azvudine/CL-197 All-Oral Long-Acting Composite Tablet***

We also plan to develop an all-oral long-acting composite tablet based on the potential combined long-acting effect of azvudine and CL-197 for the treatment of HIV infection. Similar to CL-197, we believe that this combination has the potential to form a first global all-oral long-acting and weekly administered combination drug for HIV treatment. We plan to conduct research on this proprietary combination of azvudine and CL-197 after we confirm the safety of CL-197 through its Phase I clinical trial in China.



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## SUMMARY

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### COVID-19 Drug Pipeline

#### *Azvudine*

Azvudine is the first NMPA-approved oral direct-acting antiviral treatment for COVID-19 developed by a Chinese company, which was conditionally approved for the treatment of common COVID-19 in adults in July 2022. As an RNA-dependent RNA polymerase (RdRp) inhibitor, azvudine can effectively suppress the replication of SARS-CoV-2, the virus causing COVID-19. Moreover, as the target of azvudine, the virus' RdRp, remains relatively conserved with a low mutation rate, it has the potential to maintain its efficacy against new variants of the virus.

In the Phase III clinical trials in China and Russia, azvudine showed significant effect in viral load reduction in patients with a baseline viral load above a certain threshold and in alleviation of clinical symptoms for COVID-19 patients. As of the Latest Practicable Date, azvudine as a medication for COVID-19 indications had been successfully commercialized in China with extensive geographic and hospital coverage.

### Cancer Drug Pipeline

#### *Azvudine and its Combination Therapies*

As the only nucleoside-based drug with dual mechanisms and high selectivity in the past 30 years, azvudine can further exert its anti-tumor effects by inhibiting DNA synthesis in tumor cells and enhancing immunity through immunomodulation. Specifically, (i) azvudine can inhibit cancer cell proliferation by terminating DNA strand elongation and interfering with various enzymes involved in the synthesis of nucleic acids in cancer cells. The tumor inhibition effect of this mechanism correlates with the expression of dCK; it is particularly pronounced in tumor tissues with high dCK-expressing tumors, such as lymphoma; and (ii) azvudine can also act as an immunomodulator, significantly reducing the over-clustering of myeloid-derived suppressor cells (MDSCs) in tumor microenvironment and promoting the infiltration and expansion of CD8+T, CD4+T cells and natural killer (NK) cells, thereby exerting the tumor inhibition effect. The tumor inhibition effect of this mechanism correlates with the expression of MDSCs in tumor microenvironment, and such effect will be even better in solid tumors with higher infiltration of MDSCs, such as liver cancer, colorectal cancer and NSCLC. Through these two mechanisms, in our preclinical studies, azvudine demonstrated promising inhibitory activity against multiple cancer cellines. Therefore, we are developing (i) azvudine/anti-PD-1 combination therapy for the treatment of liver and colorectal cancer, (ii) azvudine/dosimertinib combination therapy for NSCLC, and (iii) azvudine monotherapy and azvudine/CTX combination therapy for blood cancer.

We obtained an IND approval from the NMPA for the clinical trials of azvudine in patients with advanced solid tumors in September 2024, and initiated a Phase I clinical trial in January 2025 with three patients enrolled as of the Latest Practicable Date, the results of which are expected to be used to support the design of future combination studies and full



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## SUMMARY

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development of solid tumor indications. Such data are also expected be used to support the development for the treatment of blood cancer as the safety, tolerability and PK data are inherently applicable for later-phase clinical trials of other cancers. We also submitted an IND application of azvudine/dosimertinib combination therapy for the treatment of NSCLC in November 2024.

### ***Dosimertinib***

We are developing dosimertinib, a highly potent, selective and orally administered epidermal growth factor receptor (EGFR)-targeting drug candidate, for the treatment of advanced EGFR mutation-positive non-small cell lung cancer (NSCLC), one of the most prevalent types of lung cancer in China. Dosimertinib is designed to address the medical needs of advanced NSCLC patients harboring EGFR mutations that are resistant to previous generations of targeted drugs, which are usually mutation-specific and could become less effective toward newly emerged mutations. In terms of molecular structure, dosimertinib is a “deuterated” version of osimertinib, an FDA- and NMPA-approved treatment for NSCLC, where multiple hydrogen atoms are substituted with deuterium. Such substitution leads to positive impact on the pharmacokinetic, therapeutic and toxicological profile of select compounds. In our *in vitro* assays and animal studies, dosimertinib demonstrated efficacy comparable to osimertinib, with the level of toxic metabolites reduced by as much as 80%. Preclinical pharmacokinetic studies have shown that the levels dosimertinib are higher in lung and brain tissue than those of osimertinib, demonstrating dosimertinib has an advantage in the treatment of lung cancer and brain metastases.

We are conducting a Phase I/Phase II clinical trial in China to investigate the safety and efficacy of dosimertinib and expect to complete such trial in 2025. As of the Latest Practicable Date, we had enrolled 23 patients for this trial and have completed the dose escalation stage of dosimertinib. According to the latest trial results, no DLTs were observed in the dosimertinib 20 mg, 40 mg, 80 mg, 160 mg, 200 mg or the 240 mg dose group, overall safety profile was good, and we have also preliminarily observed a good dose-related efficacy. To summarize, the preliminary trial results showed that dosimertinib has a similar efficacy to osimertinib but with a better safety profile. The tumor assessments of three patients in the 240 mg dose group showed significant efficacy, with one patient assessed as SD with shrinkage and the disappearance of non-target lesions in the brain, and two patients assessed as PR, with one of whom experiencing with the disappearance of three non-target lesions (left upper lobe of the lung, left lower lobe of the lung, and left pleura). We expect to complete the Phase I/Phase II trial in 2025.

### ***ZS-1003***

ZS-1003 is a project aiming to discover anti-cancer drug targeting topoisomerase I (TOPO1) enzymes. TOPO1 enzymes participate in the overwinding or underwinding of DNA and are particularly vulnerable to TOPO1 inhibitors during their cleavage reaction, meaning they can be trapped by anticancer drugs as they cleave DNA in cancer cells.

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## SUMMARY

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As of the Latest Practicable Date, we had discovered the first small-molecule PCC compound under ZS-1003, ZSSW-136. ZSSW-136 has demonstrated broad-spectrum antitumor activity and effectively inhibit dozens of cancer cells at nanomolar concentrations. It showed 400 times higher activity as compared with irinotecan (the most widely used TOPO1 inhibitor) in multiple organoids experiments in patient-derived irinotecan-resistant tumor. More importantly, ZSSW-136 can completely inhibit tumor growth in the PDX animal model for irinotecan-resistant tumors overcoming irinotecan-resistance, which will address a significant clinical unmet medical need. We have discovered hundreds of novel molecules through ZS-1003, from which we have selected several payload compound candidates with best-in-class potential payload properties: our payload molecules are comparable in anti-tumor activity to commonly used ADC payloads (e.g. SN-38, DXd, and other camptothecin-based compounds), but with much improved druggability (e.g. membrane permeability, non-exocytosis, etc.); we have discovered numerous payload candidates with more than 50-fold higher potency compared to DXD in the DXD-resistant cancer cell lines; preparation of new ADC drugs with these novel payloads are in progress which will aim to overcome emerging resistance to current ADC drugs with TOPO1 inhibitors as payloads. More importantly, our payload molecules have a completely new parent nucleus structure, thus potentially addressing the drug resistance issue of commonly used payloads. Since the new generation of payloads can overcome drug resistance, which is a recognized challenge in the field of tumor therapy, and there is no reported new payloads that could overcome the DXD resistance challenge, we will commence BD and external collaboration work to promote the application of our new payload technology platform to various XDC (ADC, PDC, SMDC, etc.) drug conjugate projects, resulting in a wide range of new drugs that will benefit our patients and simultaneously create significant commercial values via licensing fees (such as upfront and milestone payments). We have submitted abstracts to 2025 AACR and EACR conferences for presentations to highlight our novel payload platform with capabilities to address the DXD-resistance for ADC drugs.

We plan to submit an IND application for ZSSW-136 in 2025, and initiate clinical trials in 2026.

### Central Nervous System (CNS) Drug Candidate

#### ***MTB-1806***

MTB-1806 is a small-molecule drug candidate indicated for AIS, which is characterized by a sudden loss of blood circulation to an area in the brain, the corresponding lack of blood and oxygen supply resulting in nerve damage and loss of neurological function. MTB-1806 has demonstrated good efficacy and safety in preclinical studies. Animal experiments have shown that MTB-1806 can significantly increase the inhibition rate of post ischemic cerebral infarction and reduce the infarct area after cerebral ischemia compared with NBP (an AIS drug approved by the NMPA) while performing well in terms of toxicity and tolerability. In addition, MTB-1806 demonstrated a favorable dose-effect relationship, and in a rat model, the PK of MTB-1806 was superior to that of NBP in terms of *in vivo* exposure and oral bioavailability. *In vitro* studies have shown that MTB-1806 had a half-life of 19.09 hours, which could support an once-a-day dosing.

## SUMMARY

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As of the Latest Practicable Date, we were also developing several drug candidates for various other indications. See “Business—Our Product Portfolio” for further details.

### OUR STRENGTHS

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

- A competitive pipeline of innovative drugs for the treatment of HIV infection, providing more convenient and effective treatment options for HIV patients worldwide;
- A robust anti-tumor pipeline with innovative and potentially breakthrough treatments to address significant unmet medical needs from cancer patients;
- The first NMPA-approved oral antiviral treatment for COVID-19 developed by a Chinese company;
- Integrated and comprehensive drug R&D platforms with proven capabilities in clinical development and experience in drug registration;
- Strong production, commercialization capabilities, and well-established sales channels; and
- A proven management team with good track record and support from professional investment institutions.

### OUR STRATEGIES

We plan to implement the following strategies to achieve our mission:

- Quickly and efficiently advance the R&D, commercialization and post-approval regulatory processes of our Core Product, azvudine;
- Rapidly advance our preclinical- and clinical-stage drug candidates through internal research;
- Continue the expansion of our R&D platforms and expand our product pipeline;
- Enhance our commercialization capability to support future commercial activities; and
- Strengthen talent team building through internal cultivation and recruitment.

## SUMMARY

### COMPETITIVE LANDSCAPE

The development and commercialization of innovative drugs are highly competitive. While we believe our innovative platforms provide us with competitive advantages, we face competition from global and China-based pharmaceutical and biotech companies that market or will market products in competition with our drug and drug candidates. We compete primarily based on our R&D capabilities, the clinical performance of our drug and drug candidates, our commercialization capabilities and brand recognition. For further details of our major competitors, see “Business—Our Product Portfolio” and “Industry Overview.”

### HIV Treatment

According to Frost & Sullivan, China’s HIV drug market grew from US\$304.5 million in 2018 to US\$636.2 million in 2023, representing a CAGR of 15.9%. It is expected to reach US\$2,327.5 million in 2030, representing a CAGR of 20.4% from 2023 to 2030, which are significantly higher than the estimated CAGRs for the global HIV drug market of 4.1% and 4.7% for the same periods.

The majority of HIV drugs in China’s market are single-agent ART drugs instead of composite drugs containing multiple ART agents, which are more accessible in developed markets. Single-agent antiretroviral drugs from a different class are not considered substitutes or competitors of azvudine, because as an NRTI, a class of antiretroviral drug that is widely used as the backbone drug in first-line combination ART regimens, azvudine could work in combination with drugs of different mechanisms to form various ART regimens. The following table sets forth a summary of azvudine and other marketed NRTI drugs for treatment of HIV infection in China as of the Latest Practicable Date that could potentially compete with or be used in combination with azvudine:

Original Brand Name	Generic Name	Original Producing Company	Year Approved	Patent Status	2023 NRDL	Free drug list	Dosing and Administration
Shuangxinaike (雙新艾克)	Azvudine (FNC)	Genuine Biotech	2021	Valid	List B	—	3 mg/day, oral
Vemlidy	Tenofovir alafenamide (TAF)	Gilead	2018	Expired	List B	—	25 mg/day, oral
Viread	Tenofovir Disoproxil Fumarate (TDF)	Gilead	2008	Expired	List B	Free	8 mg/kg daily (up to a maximum of 300 mg), oral
Ziagen	Abacavir (ABC)	GSK	2002	Expired	—	Free	600 mg/day, oral
Videx	Didanosine	BMS	1999	Expired	—	—	less than 60 kg: 250 mg/day at least 60 kg: 400 mg/day, oral
Retrovir	Zidovudine (AZT)	GSK	1999	Expired	List B	Free	600 mg/day, oral 1 mg per kg infused at a constant rate over 1 hour every 4 hours, IV
Epivir	Lamivudine (3TC)	GSK	1999	Expired	List B	Free	300 mg/day, oral
Zerit	Stavudine (D4T)	BMS	1999	Expired	—	—	less than 60 kg: 30 mg every 12 hours at least 60 kg: 40 mg every 12 hours, oral
Emtriva	Emtricitabine (FTC)	Gilead	—*	Expired	List B	Free	200 mg capsule daily or 240 mg solution daily, oral

Source: Frost & Sullivan analysis

\* The original drug of FTC was not approved in China but its generic versions are available in China.

## SUMMARY

### COVID-19 Treatment

According to Frost & Sullivan, as of December 31, 2023, there had been over 800 million confirmed COVID-19 cases and over 7 million related deaths worldwide. The following table sets forth a summary of azvudine and other marketed oral COVID-19 treatments as of the Latest Practicable Date in countries across the world that could potentially compete with azvudine:

Drug Name	Company	Mechanism of Action	Status	Dosage	Price
Azvudine	Henan Genuine	RdRP inhibitor	NMPA conditional approval	5 mg each time, once a day, and the treatment course should not exceed 14 days.	RMB175 per 7-day course
Paxlovid	Pfizer	3CL protease inhibitor	FDA EUA; NMPA conditional approval	300 mg nirmatrelvir with 100 mg ritonavir taken twice daily for five days	RMB1,790 per 5-day course
Molnupiravir	Merck	RdRp inhibitor	FDA EUA; NMPA conditional approval	800 mg every 12 hours for five days	RMB1,426 per 5-day course
Leritrelvir	Guangdong Huanan Pharmaceutical Group	3CL protease inhibitor	NMPA conditional approval	0.4g (2 tablets) three times a day for 5 consecutive days	RMB470 per 5-day course
Ensitreivir	Shionogi	3CL protease inhibitor	Approved in Japan and Singapore; NDA in China	375 mg on the first day, and 125 mg on days 2 to 5	/
Baricitinib	Eli Lilly	JAK inhibitor	FDA EUA	2 mg per day	RMB1,064 per 28-day course
Renmindevir	Junshi Biosciences	RdRp inhibitor	Approved in Uzbekistan; NMPA conditional approval	once every 12 hours for 5 consecutive days. Day 1: 0.6g each time (6 tablets); Days 2 to 5: 0.3g each time (3 tablets).	RMB475 per 5-day course
GST-HG171+ ritonavir	Fujian Cosunter Pharmaceutical Co., Ltd.	3CL protease inhibitor	NMPA conditional approval	150 mg Atilotrelvir + 100 mg Ritonavir, twice a day for 5 days	RMB498 per 5-day course
SIM0417+Ritonavir	Simcere	3CL protease inhibitor	NMPA conditional approval	750 mg Simnotrelvir + 100 mg Ritonavir, once every 12 hours, oral administration for 5 consecutive days	RMB479 per 5-day course
Sabizabulin	Veru	Microtubule disruptor	Approved in Australia	/	/
Proxalutamide	Kintor Pharmaceutical	AR Antagonist	EUA in Paraguay	/	/

Source: Frost & Sullivan analysis

Notes:

- For Baricitinib, there is no dosage for COVID-19 in its label.
- Price is based on the approximate price in the agreement between the manufacturer and the U.S. government.

## SUMMARY

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### Cancer Treatment

Malignant tumor is a major disease that threatens the well-being and life of human beings. In 2023, there were 20.8 million new cases of malignant tumor globally. From 2018 to 2023, global market of oncology drugs expanded from US\$128.1 billion to US\$228.9 billion, representing a CAGR of 12.4%, and is expected to reach US\$419.8 billion by 2030, with a CAGR of 9.1% from 2023 to 2030. The oncology drug market in China grew from RMB157.5 billion in 2018 to RMB241.6 billion in 2023 at a CAGR of 7.2% and is forecasted to continue its strong growth, reaching RMB548.4 billion in 2030 at a CAGR of 12.4% from 2023. The top 10 cancer in terms of incidence globally are lung cancer, breast cancer, colorectum cancer, prostate cancer, stomach cancer, liver cancer, thyroid cancer, lymphoma, cervix uteri cancer and bladder cancer. The top 10 cancer in terms of incidence in China are lung cancer, colorectum cancer, thyroid cancer, liver cancer, stomach cancer, breast cancer, esophagus cancer, cervix uteri cancer, prostate cancer and pancreas cancer.

Due to the unchecked growth, infiltration and metastasis of malignant tumors, conventional treatment methods such as surgical resection and radiotherapy cannot completely remove or thoroughly kill tumor cells, and tumor metastasis or recurrence often occurs. For unresectable, locally advanced or metastatic solid tumors, the mainstream treatment strategy remains drug therapy. Cytotoxic chemotherapeutic drugs have been limited by their significant toxic side effects and drug resistance. In recent years, immunotherapy based on immune checkpoint inhibitors (ICI) such as programmed cell death receptor-1 (PD-1) or programmed cell death ligand-1 (PD-L1) has developed rapidly, but the efficiency of immunotherapy still faces major challenges. Currently, most patients are still unable to respond to PD-1/PD-L1 blockade, and, as such, drug resistance poses a formidable barrier to achieving optimal clinical outcomes. Combination therapies have shown promise in overcoming resistance by targeting multiple pathways simultaneously. Combining PD-1 inhibitors with CTLA-4 or EGFR blockade, chemotherapy, or novel nucleoside analog drugs (azvudine) has demonstrated improved outcomes in certain cancers. Among these, azvudine, which can suppress viral life cycle, cancer cell growth and inhibit adhesion, migration, invasion, and proliferation of malignant cells, has shown its potential to combine with chemotherapeutic and/or immunotherapy regimens and potential to increase the efficacy of multiple anticancer therapies.

To grasp the market opportunities and leverage azvudine’s dual anti-tumor mechanism, i.e., it can inhibit the DNA synthesis of tumor cells and improve immunity through immune regulation to exert further anti-tumor effects, we have been developing azvudine combination therapy and other drug candidates for the treatment of various types of cancer including NSCLC, liver cancer, colorectum cancer, and expanding the indication treated by azvudine into blood cancer.

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## SUMMARY

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### RESEARCH AND DEVELOPMENT

We are a biotech company primarily engaged in pharmaceutical R&D activities. We believe that R&D is crucial to our business growth and the success of our operations. For each drug candidate, we typically form a project team in charge of the whole development progress and which leads the daily R&D work. The drug discovery process generally includes target validation, hit identification, hit to lead and lead optimization, followed by preclinical and clinical studies to evaluate and confirm the functions, safety and efficacy of each drug candidate. We have established various integrated R&D platforms to empower our drug development from drug discovery to clinical trials, including (i) a highly selective novel nucleoside broad-spectrum anti-tumor drug R&D platform, (ii) a TOPO1 inhibitor and XDC drug R&D platform, (iii) a drug target discovery and validation platform, and (iv) an innovative drug design and optimization platform. Our internal R&D work is led by senior scientists, including Dr. Du and Dr. Dang Qun, with extensive experience in the pharmaceutical industry and, particularly, expertise in drug discovery. Our R&D activities have laid a solid foundation for future manufacturing and commercialization of our drug candidates.

With our independent R&D capability and exclusive R&D rights over azvudine during the Track Record Period regardless of our collaboration with Fosun Pharmaceutical Industrial and except for certain R&D responsibilities (namely registration, clinical trials, and clinical application) we granted to Beijing Union and third party agents in certain regions, we have effectively and independently realized the advancements of clinical stages of azvudine for different indications, especially expanded indications including blood cancers and solid tumors, which are evidenced by positive feedbacks from the NMPA. See “Business—Our Product Portfolio” and “Business—Our Technology Transfer Arrangements and Collaborations” for details.

### TECHNOLOGY TRANSFER ARRANGEMENTS AND COLLABORATIONS

#### Zhengzhou University Technology Transfer Agreement

Azvudine, our Core Product, was initially developed by Zhengzhou University, a public university in China. Beijing Xingyu Zhongke Investment Co., Ltd. (北京興宇中科投資有限公司) (“Xingyu Zhongke”), a company controlled by Mr. Wang, entered into a technology transfer agreement with Zhengzhou University on December 16, 2011 to acquire intellectual property rights in azvudine. After Henan Genuine, our PRC operating company, was established in 2012, Xingyu Zhongke and Zhengzhou University further entered into a supplemental agreement on May 14, 2013 to transfer the relevant intellectual property rights to Henan Genuine. As a result, Zhengzhou University transferred all rights in the core patent of azvudine and any existing and future NMPA approvals of azvudine to Henan Genuine, who became the sole right holder of such rights. Henan Genuine will be responsible for subsequent clinical trials and registration work and bears all costs associated with such registrational and R&D work. On September 1, 2023, Henan Genuine obtained a written confirmation from Zhengzhou University to clarify the parties’ original intentions for the technology transfer agreement, which confirmed that, among others, the transfer of the intellectual property rights



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## SUMMARY

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therein was complete and unqualified. Based on the above, Zhong Lun Law Firm LLP, our PRC intellectual property advisor, is of the view that the transfer of the intellectual property rights of azvudine to Henan Genuine was complete as of the date of the Azvudine Novation Agreement.

### **Meitaibao Technology Transfer Agreement**

Henan Meitaibao Biological Pharmaceutical Co., Ltd.\* (河南美泰寶生物製藥有限公司) (“Meitaibao”) is a biotech company primarily focused on drug R&D founded by Dr. Du in July 2015, who served as its chief executive officer until December 2018. Henan Genuine entered into a technology transfer agreement with Meitaibao on January 18, 2019 to acquire from Meitaibao intellectual property rights in 11 patents that are related to certain drug candidates in our pipeline, primarily related to CL-197, dosimertinib and MTB-1806, to develop and commercialize the corresponding drug candidates.

### **Beijing Union Collaboration Agreements in Russia and Ukraine**

Henan Genuine entered into a framework agreement (as supplemented on May 10, 2022) with Beijing Union on April 18, 2020 to authorize Beijing Union to fully carry out registration applications, clinical trials and market collaborations of azvudine in Russia and Ukraine. Beijing Union will be the MAH and act as the manufacturer of azvudine in Russia and Ukraine after it obtains marketing approval in these countries. As of the Latest Practicable Date, Beijing Union had completed the Phase III clinical trial of azvudine for treating COVID-19 in Russia and obtained marketing approval from the Ministry of Health of the Russian Federation in February 2023, but we had not generated any income from Beijing Union under this collaboration arrangement. As of the same date, Beijing Union had not initiated any clinical trials in Ukraine.

### **Tripartite Collaboration Agreements in Brazil and Other Regions of South America**

Henan Genuine entered into a tripartite framework agreement with Beijing Union and an Independent Third Party agent on June 5, 2020 to authorize Beijing Union to cooperate with the agent to carry out registration applications, clinical trials and market collaboration matters of azvudine for treating COVID-19 in Brazil and the Union of South American Nations (UNASUR). In light of the parties' collaboration, Henan Genuine entered into a supplemental tripartite collaboration agreement (as further supplemented on January 28, 2022 and May 8, 2022) with Beijing Union and an affiliate of the agent, who is also an Independent Third Party, on November 8, 2021. Pursuant to these agreements, after azvudine for the COVID-19 indication is approved for marketing in Brazil, Beijing Union shall act as the manufacturer for such product in Brazil and the affiliate shall be the MAH of azvudine in Brazil and have exclusive marketing rights in Brazil and the other regions of South America. As of the Latest Practicable Date, the Phase III clinical trial of azvudine for treating COVID-19 in Brazil was completed.



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## SUMMARY

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### **Fosun Pharma Strategic Cooperation Agreement**

On July 25, 2022, Henan Genuine entered into a strategic cooperation agreement (as supplemented on August 26, 2022, the “Fosun Pharma Agreements”) with Fosun Pharmaceutical Industrial, a subsidiary of Fosun Pharma, with respect to, among other things, Fosun Pharmaceutical Industrial’s exclusive commercialization of azvudine. The cooperation regions include mainland China (excluding Hong Kong, Macau and Taiwan, “Region I”), and the parties could, but were yet to, as of the Latest Practicable Date, enter into a binding agreement regarding the rest of world excluding Russia, Ukraine, Brazil and other South American countries and regions (“Region II”).

Under the Fosun Pharma Agreements, Fosun Pharmaceutical Industrial shall pay Henan Genuine an upfront payment of RMB100 million for the exclusive sales license fee and the remaining license fee of RMB399.5 million, both of which have been settled. The parties have also shared the profit generated from the sales of azvudine by Fosun Pharmaceutical Industrial as stipulated in the Fosun Pharma Agreements. The Fosun Pharma Agreements shall be effective from the date of execution by the parties and do not have a fixed term.

On September 26, 2024, Henan Genuine entered into the Amendment Agreement with Fosun Pharmaceutical Industrial outlining an updated arrangement for the collaboration in Region I (the “Updated Commercialization Arrangement”), under which, among other things, (i) we have regained the exclusive commercialization rights and other rights granted to Fosun Pharmaceutical Industrial in Region I (i.e. mainland China). As a result, we have become the sole owner of the commercialization right of azvudine in Region I, while we are no longer obligated to manufacture azvudine and ensure sufficient product supply; (ii) Fosun Pharmaceutical Industrial no longer possesses the right to use any clinical trial information, technologies or IP rights relating to azvudine, and neither party has any obligation to share data in this regard; (iii) Fosun Pharmaceutical Industrial is no longer obligated to carry out the research and development of clinical studies on the azvudine; (iv) Fosun Pharmaceutical Industrial no longer has the pre-emptive right to collaborate with us regarding the joint development and commercialization of the azvudine in Region I for other indications or combination therapy for the treatment of HIV infections; and (v) all other rights and obligations of the parties under the Fosun Pharma Agreements have been terminated unless otherwise agreed. In addition, under the Updated Commercialization Arrangement, we have agreed to pay Fosun Pharmaceutical Industrial (i) an upfront fixed payment of RMB60 million, and (ii) a subsequent sales-based payment, calculated as 10% of our net sales generated from the Cooperation Products in Region I within a period of five years subsequent to the effective date of the Amendment Agreement, as the consideration for FPI’s investments and expenditures incurred for the historical collaboration. In terms of azvudine already sold to distributors as of the date of the Amendment Agreement, Fosun Pharmaceutical Industrial and us have agreed to share the profits at ratios as stipulated in the Amendment Agreement. As of the Latest Practicable Date, we had completed the handover of all tier-1 distributors and the transfer of inventories. At the same time, we have taken proactive steps to drive our own

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commercialization efforts and prepare for the future launches, including but not limited to the establishment and expansion of our in-house commercialization team, exploration of on-line and off-line sales channels and engagement of CSOs.

See “Business—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreements” for details.

### MANUFACTURING

We have established our own manufacturing facilities with leading equipments and technologies and has an annual capacity of approximately three billion tablets. Our production capacity not only meets our current market demand but also leaves plenty of room for future market expansion. In terms of quality control, our production base strictly follows the relevant regulations and standards of the NMPA and successfully passed the Good Manufacturing Practice (GMP) compliance inspection in May 2022. Our production and supply capabilities have laid a solid foundation for the our long-term stable growth. See “Business—Our Manufacturing Facilities” for details. To supplement our manufacturing capacity as appropriate, we engaged several leading drug manufacturers in China, all of which are Independent Third Parties, to manufacture azvudine during the Track Record Period. We believe we will be able to manufacture sufficient quantities of products to meet market demand primarily through our in-house manufacturing capacity, supplemented by contracted manufacturing when necessary. See “Business—Contract Manufacturing” for details.

### COMMERCIALIZATION

We adopt an on-line/off-line omni-channel and strategic promotion model to promote and distribute our products, including azvudine, our commercialized product, and our other drug candidates to be launched in the future. We will quickly establish an integrated commercialization system through marketing, acquiring market access, digital promotion, medical value exploration, direct sales, recruitment of distributors and commercial excellence to facilitate sales of our products, and continue to deliver accurate and up-to-date academic information with clinical value to the market to increase the market awareness of our products. As of the Latest Practicable Date, we had successfully entered into agreements with 49 offline distributors which largely ensured the accessibility of our products in the market and with four leading e-commerce platforms in China to jointly establish an online sales channel for azvudine and have successfully achieved sales.

As of the Latest Practicable Date, we had an in-house commercialization team consisting of 33 members, and we expect to expand the team to around 100 personnel in the next two years. We have adopted a comprehensive set of management systems to ensure the effectiveness and efficiency of our sales and marketing activities and the compliance status of our own staff as well as our online/offline distributors and CSOs.

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We are fully aware that product price management is not only a reflection of corporate profitability, but also a concentrated expression of social responsibility and patient well-being. The price of our commercialized product is most favorable among competing products to ensure that patients are able to have access to high-quality medical service at a reasonable price. Our Core Product, azvudine, was officially included in the NRDL in April 2023, and remained in NRDL after the successful renewal negotiation in 2024, maintaining both its reimbursement scope and pricing. Going forward, we will continue to uphold our “patient-centric” value and optimize our product price management strategy.

Leveraging our successful commercialization experience in China, we expect to enter into overseas market through collaborations with leading medical institutions in the future.

## INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we held 21 patents and 22 patent applications pending in China. As of the same date, we also had 16 patents and 51 patent applications pending overseas. In addition, as of the Latest Practicable Date, we held 39 trademarks in mainland China and Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material proceedings in respect of, and we had not received notice of any material claims of infringement of, any intellectual property rights that are threatened or pending, in which we may be a claimant or a respondent.

## SUPPLIERS

Our suppliers primarily include raw material suppliers, research and development service providers and owners of our rental properties. For the years ended December 31, 2023 and 2024, our purchases from our five largest suppliers were RMB491.1 million and RMB84.5 million, respectively, accounting for approximately 58.7% and 40.1%, respectively, of our total purchases for the respective period. In the same periods, purchases from our largest supplier were RMB320.7 million and RMB40.8 million, respectively, accounting for approximately 38.3% and 19.4%, respectively, of our total purchases for the respective period. All of our five largest suppliers during the Track Record Period were Independent Third Parties. See “Business—Suppliers” for further details.

## CUSTOMERS

During the Track Record Period, we primarily sold azvudine to Fosun Pharmaceutical Industrial in accordance with the Fosun Pharma Agreements after azvudine was approved for marketing in China. Our collaboration with Fosun Pharmaceutical Industrial began in 2022. In 2023, we only had one customer, namely Fosun Pharmaceutical Industrial, and our aggregate sales to Fosun Pharmaceutical Industrial in 2023 were RMB344.2 million. In 2024, our five largest customers accounted for 99.6% of our total revenue, among which Pharmaceutical Industrial accounted for 99.2% with an aggregate sales of RMB235.9 million. Other than Fosun Pharmaceutical Industrial, our other five largest customers in 2024, being our distributors primarily engaged in sales of pharmaceutical products, in aggregate contributed to

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## SUMMARY

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approximately 0.4% of our total revenue or approximately RMB1.0 million in sales, and individually, accounted for not more than 0.2% of our total revenue or not more than RMB0.5 million in sales. Considering the evolving market conditions and in the best interest of both parties, we entered into the Amendment Agreement with Fosun Pharmaceutical Industrial in September 2024, regaining the commercialization right under the Fosun Pharma Agreements. See “Business—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreement” for details. Starting from 2025, we will no longer recognize any revenue from Fosun Pharmaceutical Industrial under the Fosun Pharma Agreements. None of our Directors or their associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than five percent of our issued share capital, has any interest in any of our customers during the Track Record Period.

We have engaged distributors for our sales of azvudine after the termination of Fosun Pharma Agreements. As of the Latest Practicable Date, we had entered into distribution agreements with 53 distributors and developed and implemented comprehensive policies to manage our distributors. We expect our revenue in 2025 will primarily attributable to our sales to our distributors.

### CONTROLLING SHAREHOLDERS

Immediately upon completion of the [REDACTED] and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme, Tri-Link Ventures and Creative Summit will, in aggregate, directly hold approximately [REDACTED]% of the issued share capital of our Company. Tri-Link Ventures is a company wholly owned by Mr. Wang. Creative Summit is wholly owned by Tri-Link Ventures, which in turn is wholly owned by Mr. Wang, the trustee of the RSU Scheme Trust who holds shares in Creative Summit through Tri-Link Ventures for the purpose of the RSU Scheme. The RSU Scheme Trust is a fixed trust established by our Company as the settlor and is intended for the benefit of eligible persons entitled to receive a grant of the RSUs in accordance with the terms of the RSU Scheme. Accordingly, Mr. Wang, Tri-Link Ventures and Creative Summit constitute a group of our Controlling Shareholders under the Listing Rules.

### [REDACTED] INVESTMENTS

We have concluded two rounds of [REDACTED] Investments. Our broad and diverse base of [REDACTED] Investors includes Sophisticated Investors, such as Efung Capital and Yingke PE. For details, see “History, Reorganization and Corporate Structure—[REDACTED] Investments.”

## SUMMARY

### SUMMARY OF KEY FINANCIAL INFORMATION

#### Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,	
	2023	2024
	<i>(RMB in thousands)</i>	
<b>Revenue</b> . . . . .	<b>344,210</b>	<b>237,868</b>
Cost of sales . . . . .	<u>(673,615)</u>	<u>(73,013)</u>
Gross (loss)/profit . . . . .	(329,405)	164,855
Other income and gains . . . . .	24,578	146,671
Administrative expenses . . . . .	(104,188)	(86,399)
Research and development expenses . . . . .	(238,445)	(150,687)
Selling and distribution expenses . . . . .	(19,652)	(16,766)
Reversal of impairment/(impairment losses) on financial assets, net . . . . .	1,120	(4,608)
Other expenses . . . . .	(34,548)	(7,362)
Finance costs . . . . .	(7,940)	(6,223)
Fair value losses on convertible redeemable preferred shares . . . . .	<u>(75,097)</u>	<u>(79,523)</u>
<b>Loss before tax</b> . . . . .	<b>(783,577)</b>	<b>(40,042)</b>
Income tax expense . . . . .	<u>—</u>	<u>—</u>
<b>Loss and total comprehensive loss for the year</b> . . . . .	<u><b>(783,577)</b></u>	<u><b>(40,042)</b></u>

## SUMMARY

### *Revenue*

During the Track Record Period, we generated all of our revenue from our first commercialized product, azvudine. Substantially all of our revenue during the Track Record Period was generated from the Fosun Pharma Agreements entered into between Fosun Pharmaceutical Industrial and us. The following table sets forth a breakdown of revenue for the periods indicated:

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>	
License and collaboration revenue		
Sales-based royalties . . . . .	185,702	224,533
Research and development services . . . . .	66,341	9,803
Manufacturing of products . . . . .	32,478	1,586
Other variable considerations . . . . .	59,689	–
	344,210	235,922
Sales of goods . . . . .	–	1,946
<b>Total . . . . .</b>	<b>344,210</b>	<b>237,868</b>

Our license and collaboration revenue decreased by 31.5% from RMB344.2 million in 2023 to RMB235.9 million in 2024, which was primarily attributable to (i) a decrease in other variable considerations. In 2023, we recorded (a) compensation of production costs of RMB58.8 million in relation to certain near-expiry azvudine tablets; and (b) compensation of production costs of RMB0.9 million for 0.3 million bottles of azvudine donated by us and Fosun Pharmaceutical Industrial in early 2023. No such revenue was recognized in 2024; (ii) a decrease in revenue from research and development services, which was recognized in line with the corresponding costs incurred during the years; (iii) a decrease in revenue from manufacturing services as we provided less of such services in 2024 pursuant to the Fosun Pharma Agreements; partially offset by (iv) an increase in sales-based royalties as the amount of azvudine tablets entitled to profit sharing as agreed between us and Fosun Pharmaceutical Industrial increased from 2.5 million bottles in 2023 to 3.1 million bottles in 2024.

We recorded revenue of RMB1.9 million from sales of approximately 13,700 bottles of azvudine tablets to certain distributors under new agreements in 2024 under new distribution agreements subsequent to the termination of Fosun Pharma Agreements.

## SUMMARY

### *Loss for the Year*

We recorded loss of the year of RMB783.6 million and RMB40.0 million in 2023 and 2024, respectively. Our net loss for 2023 of RMB783.6 million was mainly attributable to (i) the gross loss incurred as a result of the significant write-down on inventories made to our finished products taking into account the expiry dates of the products and marketability in view of the COVID-19 situation; (ii) significant research and development expenses incurred for our Core Product as well as other drug candidates; (iii) administrative expenses incurred for the year; and (iv) fair value losses on convertible redeemable preferred shares. In 2024, our net loss decreased to RMB40.0 million, primarily as we recorded a gross profit during the same year as the amount of write-down inventories decreased.

See “Financial Information—Discussion of Certain Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income” for details.

### **Summary of Consolidated Statements of Financial Position**

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>	
Total non-current assets . . . . .	249,325	251,279
Total current assets . . . . .	583,540	321,431
Total current liabilities. . . . .	630,459	407,116
Net current liabilities. . . . .	46,919	85,685
Total assets less current liabilities . . . . .	202,406	165,594
Total non-current liabilities . . . . .	1,263,359	1,264,132
Net liabilities. . . . .	1,060,953	1,098,538

As of December 31, 2023 and 2024, we had net current liabilities of RMB46.9 million and RMB85.7 million, respectively. Our Directors have been undertaking certain measures to improve our liquidity and financial position. For example, we maintained long term and strong business relationship with major banks to get their continuing support. As of December 31, 2024, we had current interest-bearing loans of RMB134.4 million, which were due for repayment within the next twelve months. Our Directors are of the opinion that the Group will be able to either renew or obtain new banking facilities to supplement liquidity of the Group at adequate level during the next twelve months. Up to the Latest Practicable Date, we had reached agreements with the relevant banks to roll over certain loans that were reaching maturity.

As of December 31, 2023 and 2024, we had net liabilities of RMB1,061.0 million and RMB1,098.5 million, respectively, mainly reflecting our convertible redeemable preferred shares and net loss incurred for the years. We expect our net liabilities position will be significantly improved when the preferred shares automatically convert into Shares upon the [REDACTED].



## SUMMARY

### Summary Consolidated Statements of Cash Flows

	Year ended December 31,	
	2023	2024
	<i>(RMB in thousands)</i>	
Net cash flows used in operating activities . . . . .	(68,895)	(10,610)
Net cash flows (used in)/ generated from investing activities . . . . .	(39,578)	20,228
Net cash flows generated from/(used in) financing activities . . . . .	22,166	(110,684)
Net decrease in cash and cash equivalents . . . . .	(86,307)	(101,066)
Cash and cash equivalents at beginning of the year . . . . .	324,827	239,395
Effects of foreign exchange rate changes, net . . . .	875	136
Cash and cash equivalents at the end of the year . .	<b>239,395</b>	<b>138,465</b>

Our primary uses of cash relate to the research and development of our drug candidates, our payment for the construction and purchase of equipment of our manufacturing facilities and general operating costs. During the Track Record Period, we primarily funded our working capital requirement through cash from operations and loans. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash from operations, bank balances, bank borrowings and [REDACTED] from the [REDACTED].

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds and the estimated [REDACTED] from the [REDACTED], we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, selling and distribution expenses and administrative expenses, for at least the next 12 months from the date of this document.

Our cash burn rate refers to our average monthly (i) net cash used in operating activities; and (ii) capital expenditures. Assuming that our cash burn rate going forward will be similar to the cash burn rate level for the Track Record Period, we estimate that we will have sufficient cash to maintain our financial viability for approximately [REDACTED] months from the date of this document, or, if we take into account the estimated [REDACTED] from the [REDACTED], approximately [REDACTED] months from the date of this document. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

See “Financial Information—Liquidity and Capital Resources” for details.



## SUMMARY

### KEY FINANCIAL RATIO

	As of/for the years ended December 31,	
	2023	2024
Gross profit/(loss) margin (%) <sup>(1)</sup> .....	(95.7)	69.3
Current ratio (times) <sup>(2)</sup> .....	0.9	0.8
Quick ratio (times) <sup>(3)</sup> .....	0.7	0.5

*Notes:*

- (1) Gross profit/(loss) margin equals gross profit/(loss) for the period divided by revenue for that period and multiplied by 100%.
- (2) Current ratio represents current assets divided by current liabilities as of the same date.
- (3) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

For further details, see “Financial Information—Key Financial Ratio”.

### RECENT DEVELOPMENTS

We obtained an IND approval from the NMPA for the Phase I clinical trial of azvudine in patients with advanced solid tumors in September 2024 and initiated such trial in January 2025 with three patients enrolled as of the Latest Practicable Date.

In January 2025, we submitted a communication application to the CDE for the conversion of the conditional approval for the COVID-19 indication to full approval.

### [REDACTED] STATISTICS

All statistics in the following table are based on the assumptions that [REDACTED] Shares are issued following the completion of the [REDACTED], assuming the [REDACTED] is not exercised.

	<b>Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]</b>	<b>Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]</b>
Market capitalization of our Shares	[REDACTED]	[REDACTED]
Unaudited <i>pro forma</i> adjusted consolidated net tangible assets attributable to owners of the Company as of December 31, 2024 per Share <sup>(1)</sup>	[REDACTED]	[REDACTED]

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## SUMMARY

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*Note:*

- (1) The unaudited *pro forma* adjusted consolidated net tangible asset per Share as of December 31, 2024 is calculated after making the adjustments referred to in Appendix II. For further details, please see “Appendix II—Unaudited Pro Forma Financial Information” in this document.

### DIVIDENDS

We are a holding company incorporated in the Cayman Islands. We never declared or paid any dividends during the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate to pay cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. See “Financial Information—Dividends” for further details.

### FUTURE PLANS AND [REDACTED]

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] after deducting the [REDACTED] and expenses payable by us in the [REDACTED], assuming no exercise of the [REDACTED] and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED] set out in this document. We intend to use the [REDACTED] from the [REDACTED] for the following purposes:

- Approximately HK\$[REDACTED] (representing [REDACTED]% of the [REDACTED]) will be allocated to the R&D and commercialization of azvudine, our Core Product, for the treatment of HIV infection, certain blood cancers and solid tumors;
- Approximately HK\$[REDACTED] (representing [REDACTED]% of the [REDACTED]) will be allocated to the R&D of combination therapy of azvudine, our Core Product, with our other product candidates for the treatment of HIV infection and certain tumor indications;
- Approximately HK\$[REDACTED] (representing [REDACTED]% of the [REDACTED]) will be allocated to the R&D of our other drug candidates; and
- Approximately HK\$[REDACTED] (representing [REDACTED]% of the [REDACTED]) will be used for the further construction of our R&D platform.
- Approximately HK\$[REDACTED] (representing [REDACTED]% of the [REDACTED]) will be used for working capital and other general corporate purposes.

See “Future Plans and [REDACTED]” for further details.

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## SUMMARY

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### RISK FACTORS

We believe there are certain risks and uncertainties involved in investing in our Shares, some of which are beyond our control. These risks are set out in “Risk Factors” in this document. Some of the major risks we face include: (i) a majority of our drug portfolio are currently in preclinical or clinical development. If we are unable to successfully complete development, or experience significant delays in doing so, our business, financial condition, results of operations and prospects will be materially harmed; (ii) our conditional approvals of azvudine from the NMPA may be revoked if we fail to complete the post-approval requirements; (iii) the manufacture of pharmaceutical products is a complex process which requires significant expertise and capital investment. If we encounter problems in utilizing or expanding our manufacturing capabilities in the future and/or our CMOs encounter problems manufacturing our future products, our business could suffer; (iv) we have limited experience in launching and marketing drug candidates. If we are unable to strengthen marketing and sales capabilities or enter into agreements with third parties to market and sell our drug candidates, our revenue could be adversely affected; and (v) we had net liabilities during the Track Record Period.

### [REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK\$[REDACTED] per Share, the total estimated [REDACTED] expenses in relation to the [REDACTED] are RMB[REDACTED] (HK\$[REDACTED]), assuming the [REDACTED] is not exercised, which constitute approximately [REDACTED]% of the gross [REDACTED]. Our total [REDACTED] expenses consist of (i) [REDACTED] expenses and fees (including [REDACTED], Stock Exchange trading fee, SFC and AFRC transaction levy) of RMB[REDACTED] (HK\$[REDACTED]); and (ii) [REDACTED] expenses of RMB[REDACTED] (HK\$[REDACTED]), including (a) fees payable to the Sole Sponsor, legal advisors and Reporting Accountants of RMB[REDACTED] (HK\$[REDACTED]) and (b) other fees and expenses of RMB[REDACTED] (HK\$[REDACTED]). In 2023 and 2024, [REDACTED] expenses charged to profit or loss were RMB[REDACTED] and RMB[REDACTED], respectively; and [REDACTED] expenses capitalized as deferred [REDACTED] expenses were RMB[REDACTED] and RMB[REDACTED] in the corresponding years and will be deducted from equity upon [REDACTED]. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since December 31, 2024 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this document, there has been no material adverse change in our financial or trading position and there is no event which would materially affect the information shown in our consolidated financial information included in the Accountants’ Report in Appendix I to this document.

### CSRC FILING REQUIREMENT

We have submitted a filing to the CSRC for application of the [REDACTED] on [●], and obtained the Record-Filing Notice from the CSRC in respect of the [REDACTED] on [●].

## DEFINITIONS AND ACRONYMS

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

### DEFINITIONS

“Abundant Luck”	ABUNDANT LUCK HOLDINGS LIMITED (祿豐控股有限公司), a company incorporated in the BVI with limited liability on July 29, 2019, which is wholly owned by Mr. Wei Shiqi (魏世奇), a former Director;
“Accountants’ Report”	the accountants’ report for the two years ended December 31, 2023 and 2024 prepared by Ernst & Young, the text of which is set out in Appendix I to this document;
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, conditionally adopted on [●], 2025 and will come into effect upon [REDACTED], a summary of which is set out in “Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law” to this document, as amended, supplemented or otherwise modified from time to time;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Audit Committee”	the audit committee of our Board;
“Beijing Union”	Beijing Union Pharmaceutical Factory Co. Ltd.* (北京協和藥廠有限公司), a company established in the PRC on April 4, 1981 with limited liability on January 25, 2022, which is a wholly-owned subsidiary of the Institute of Materia Medica of Chinese Academy of Medical Sciences and an Independent Third Party;
“Board” or “Board of Directors”	the board of Directors;
“Bonanza Global”	BONANZA GLOBAL HOLDINGS LIMITED (成功環球控股有限公司), a company incorporated in the BVI with limited liability on July 3, 2019, which is wholly owned by Mr. Wang Lin (王琳), an executive Director and head of our Board office;

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## DEFINITIONS AND ACRONYMS

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“Brilliant Torch” BRILLIANT TORCH INTERNATIONAL LIMITED (煌炬國際有限公司), a company incorporated in the BVI with limited liability on July 29, 2019, which is wholly owned by Mr. Du Jianping (杜劍平), the nephew of Dr. Du;

“business day” any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business;

[REDACTED]

“Cayman Islands Companies Act” or “Cayman Companies Act” the Companies Act (As Revised) of the Cayman Islands;

“Celestial Path” CELESTIAL PATH HOLDINGS LIMITED (天程控股有限公司), a company incorporated in the BVI with limited liability on July 9, 2019, which is wholly owned by Mr. Liu Yong (劉勇), a former executive Director;

“China,” the “PRC” or “mainland China” the People’s Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to “China” and the “PRC” do not apply to Taiwan, Macau and Hong Kong;

“close associate(s)” has the meaning ascribed to it under the Listing Rules;

“Companies Ordinance” the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;

“Companies (Winding Up and Miscellaneous Provisions) Ordinance” the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;

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## DEFINITIONS AND ACRONYMS

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“Company” or “our Company”	Genuine Biotech Limited (真實生物科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability on September 26, 2019;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Wang, Tri-Link Ventures and Creative Summit, and a Controlling Shareholder shall mean each or any of them;
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Core Product”	has the meaning ascribed to it under Chapter 18A of the Listing Rules, which, for the purposes of this document, refers to azvudine;
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2;
“Creative Summit”	CREATIVE SUMMIT DEVELOPMENTS LIMITED, a company incorporated in the BVI with limited liability on July 2, 2021, which is the holding company for the administration of the RSU Scheme Trust, and one of our Controlling Shareholders;
“Director(s)”	the director(s) of our Company;
“Dr. Du”	Dr. Du Jinfa (杜錦發), the chairman of our Board, executive Director, chief executive officer, chief scientific officer and a substantial shareholder of our Company;
“Efung Capital”	Shenzhen Efung Investment Management Enterprise (Limited Partnership) (深圳市倚鋒投資管理企業(有限合伙)), a limited partnership established in the PRC on March 7, 2012. For its background information, see “History, Reorganization and Corporate Structure—[REDACTED] Investments” for details;
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time;

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## DEFINITIONS AND ACRONYMS

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“Extreme Conditions” the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below;

[REDACTED]

“Fosun Pharma” Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\* (上海復星醫藥(集團)股份有限公司), a joint stock company incorporated in the PRC, the H Shares and A Shares of which are listed on the Stock Exchange (stock code: 2196) and the Shanghai Stock Exchange (stock code: 600196), respectively, and an Independent Third Party;

“Fosun Pharmaceutical Industrial” Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.\* (上海復星醫藥產業發展有限公司), a company established in the PRC with limited liability on November 27, 2001 and a subsidiary of Fosun Pharma, and an Independent Third Party;

“Frost & Sullivan” Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party;

[REDACTED]

“Genuine BVI” Genuine Biotech (BVI) Limited, a company incorporated in the BVI with limited liability on October 9, 2019 and a direct wholly-owned subsidiary of our Company;

“Genuine HK” Genuine Biotech HK Limited, a company incorporated in Hong Kong with limited liability on October 31, 2019 and an indirect wholly-owned subsidiary of our Company;

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## DEFINITIONS AND ACRONYMS

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[REDACTED]

“Group” or “we”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be);
“Guide”	The Guide for New Listing Applicants, as published by the Stock Exchange on November 29, 2023 and effective on January 1, 2024, as amended or supplemented or otherwise modified from time to time;
“Henan Baoyuan”	Henan Baoyuan Pharmaceutical Co., Ltd.* (河南寶源醫藥有限公司), a company established in the PRC with limited liability on June 9, 2023 and an indirect wholly-owned subsidiary of our Company;
“Henan Genuine”	Henan Genuine Biotech Co., Ltd.* (河南真實生物科技有限公司), a company established in the PRC with limited liability on September 12, 2012 and an indirect wholly-owned subsidiary of our Company;

[REDACTED]



## DEFINITIONS AND ACRONYMS

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[REDACTED]

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

[REDACTED]

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## DEFINITIONS AND ACRONYMS

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“Independent Third Party(ies)” party or parties, who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons;

[REDACTED]

“Ju Xian Global” JU XIAN GLOBAL LIMITED (聚賢環球有限公司), a company incorporated in the BVI with limited liability on July 29, 2019, which is wholly owned by Mr. Zhang Shi (張詩), an Independent Third Party;

“Latest Practicable Date” February 10, 2025, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication;

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## DEFINITIONS AND ACRONYMS

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[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;
“Long Profit”	LONG PROFIT GLOBAL LIMITED (長潤環球有限公司), a company incorporated in the BVI with limited liability on July 23, 2019, which is wholly owned by Mr. Li Guochi (李國池), an Independent Third Party;
“Macau”	the Macau Special Administration Region of the PRC;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange;
“Meitaibao”	Henan Meitaibao Biological Pharmaceutical Co., Ltd.* (河南美泰寶生物製藥有限公司), a company established in the PRC with limited liability on July 29, 2015, which is controlled by Dr. Du;
“Meitaibao Patents”	all rights in 11 patents transferred from Meitaibao to Henan Genuine according to the Meitaibao Technology Transfer Agreement, details of which are set out in “Business—Our Technology Transfer Arrangements and Collaborations—Meitaibao Technology Transfer Agreement”;
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, conditionally adopted on [●], 2025 and will come into effect upon [REDACTED], a summary of which is set out in “Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law” to this document, as amended, supplemented or otherwise modified from time to time;
“Modern Target”	MODERN TARGET INVESTMENTS LIMITED, a company incorporated in the BVI with limited liability on July 18, 2019, which is wholly owned by Dr. Du;

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## DEFINITIONS AND ACRONYMS

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“Mr. Wang” Mr. Wang Zhaoyang (王朝陽), the founder of our Group and one of our Controlling Shareholders;

“Nomination Committee” the nomination committee of our Board;

[REDACTED]

“Pingdingshan Xingyu” Pingdingshan Xingyu Zhongke Membrane Technology Development Co., Ltd. (平頂山興宇中科膜技術開發有限公司), a company established in the PRC with limited liability on May 19, 2011, which is ultimately controlled by Mr. Wang;

“Post-[REDACTED] Share Scheme” the share scheme conditionally approved and adopted by our Company on [●], 2025, the principal terms of which are summarized in “Appendix IV—Statutory and General Information—D. Share Incentive Schemes—2. Post-[REDACTED] Share Scheme” in this document;

“Preferred Shares” Series A Preferred Shares and Series B Preferred Shares;

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## DEFINITIONS AND ACRONYMS

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“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented and otherwise modified from time to time;
“PRC government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them;
“PRC Legal Advisors”	Jingtian & Gongcheng, legal advisors to our Company on PRC laws in connection with the [REDACTED];
“[REDACTED] Investment(s)”	the [REDACTED] investment(s) in our Company, details of which are set out in “History, Reorganization and Corporate Structure—[REDACTED] Investments” in this document;
“[REDACTED] Investor(s)”	the investor(s) of the [REDACTED] Investment(s);
“Precious Auspice”	PRECIOUS AUSPICE LIMITED (珍兆有限公司), a company incorporated in the BVI with limited liability on July 15, 2019, which is wholly owned by Dr. Guo Chang Yue (郭昌月), our vice president;

[REDACTED]

“Remuneration Committee”	the remuneration committee of our Board;
“Renminbi” or “RMB”	the lawful currency of the PRC;
“Reorganization”	the reorganization of our Group in preparation of the [REDACTED], details of which are set out in “History, Reorganization and Corporate Structure—Reorganization” in this document;

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## DEFINITIONS AND ACRONYMS

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“Rising Kong”	Rising Kong Limited, a company incorporated in the BVI with limited liability on September 10, 2021, which is wholly owned by Dr. Dang Qun (黨群), an executive Director and our president and chief business officer;
“RSU(s)”	restricted share unit(s) awarded to selected participants under the RSU Scheme;
“RSU Scheme”	the restricted share unit scheme approved and adopted by our Company on July 29, 2021, a summary of the principal terms of which is set forth in “Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. RSU Scheme” in this document;
“RSU Scheme Trust”	The Genuine Biotech Limited Restricted Share Unit Scheme Trust, a trust established under the laws of Hong Kong on August 18, 2021, with its settlor being our Company, its trustee being Mr. Wang and its beneficiaries being eligible persons entitled to receive RSUs under the RSU Scheme;
	[REDACTED]
“Series A Investment”	the investment in our Company by the Series A Investors;
“Series A Investors”	holders of the Series A Preferred Shares;
“Series A Preferred Shares”	the series A preferred shares with a par value of US\$0.0001 per share in the share capital of our Company;
“Series B Investment”	the investment in our Company by the Series B Investors;
“Series B Investors”	holders of the Series B Preferred Shares;
“Series B Preferred Shares”	the series B preferred shares with a par value of US\$0.0001 per share in the share capital of our Company;
“Shanghai Yiweikang”	Shanghai Yiweikang Pharmaceutical Co., Ltd.* (上海翊維康醫藥有限責任公司), a company established in the PRC with limited liability on November 18, 2022 and an indirect wholly-owned subsidiary of our Company;
“Share Incentive Schemes”	the RSU Scheme and the Post-[REDACTED] Share Scheme;
“Share(s)” or “Ordinary Share(s)”	ordinary share(s) with a par value of US\$0.0001 each in the share capital of our Company, which are to be [REDACTED] in Hong Kong dollars and [REDACTED] on the Main Board;
“Shareholder(s)”	holder(s) of our Share(s);

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## DEFINITIONS AND ACRONYMS

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“Shenzhen Genuine”	Shenzhen Genuine Biomedical Technology Co., Ltd.* (深圳真實生物醫藥科技有限公司), a company established in the PRC with limited liability on January 2, 2020 and an indirect wholly-owned subsidiary of our Company;
“Silver Waves”	SILVER WAVES DEVELOPMENTS LIMITED (銀濤發展有限公司), a company incorporated in the BVI with limited liability on July 23, 2019, which is wholly owned by Mr. Guo Juntao (郭軍濤), an Independent Third Party;
“Sole Sponsor”, [REDACTED]	China International Capital Corporation Hong Kong Securities Limited;
“Sophisticated Investor(s)”	has the meaning ascribed to it under Chapter 2.3 of the Guide;  [REDACTED]
“State Council”	State Council of the PRC (中華人民共和國國務院);  [REDACTED]
“Stock Exchange”	the Stock Exchange of Hong Kong 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;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time;
“Top Access”	TOP ACCESS GROUP LIMITED, a company incorporated in the BVI with limited liability on August 29, 2019, which is wholly owned by Dr. Wang Xiang (王祥), an Independent Third Party;
“Track Record Period”	the period comprising the two years ended December 31, 2023 and 2024;

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## DEFINITIONS AND ACRONYMS

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“Tri-Link Ventures” TRI-LINK VENTURES LIMITED (三聯創投有限公司), a company incorporated in the BVI with limited liability on July 9, 2019, which is wholly owned by Mr. Wang, and one of our Controlling Shareholders;

[REDACTED]

“United States” or “U.S.” the United States of America, its territories, its possessions and all areas subject to its jurisdiction;

“US\$,” “USD” or “\$” U.S. dollars, the lawful currency of the United States;

[REDACTED]

“Xingyu Zhongke” Beijing Xingyu Zhongke Investment Co., Ltd.\* (北京興宇中科投資有限公司), a company established in the PRC with limited liability on December 16, 2008, which is owned as to 95% by Mr. Wang and 5% by Mr. Zhao Zhiwen (趙志文), the cousin of Mr. Wang, as nominee for and on behalf of Mr. Wang;

“Yingke PE” Yingke Innovation Asset Management Co., Ltd.\* (盈科創新資產管理有限公司), a company established in the PRC with limited liability on September 19, 2010. For its background information, see “History, Reorganization and Corporate Structure—[REDACTED] Investments” for details;



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## DEFINITIONS AND ACRONYMS

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### ACRONYMS

“AFRC”	Accounting and Financial Reporting Council;
“BVI”	the British Virgin Islands;
“CAGR”	compound annual growth rate;
	[REDACTED]
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會);
“CDE”	Center for Drug Evaluation (國家藥品監督管理局藥品審評中心), a division of the NMPA responsible for acceptance and technical review of applications for drug clinical trials and drug marketing authorization;
“CNIPA”	China National Intellectual Property Administration (國家知識產權局);
“CSO”	contract sales organization;
“EIT”	the PRC enterprise income tax;
“FDA”	U.S. Food and Drug Administration;
	[REDACTED]
“HMPA”	Henan Medical Products Administration (河南省藥品監督管理局);
“IFRS”	International Financial Reporting Standards;
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部);
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部);
“NASDAQ”	The Nasdaq Global Select Market;
“NHSA”	the National Healthcare Security Administration (國家醫療保障局);

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## DEFINITIONS AND ACRONYMS

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“NMPA”	the National Medical Products Administration (國家藥品監督管理局) and its predecessor, China Food and Drug Administration (“CFDA”) (國家食品藥品監督管理總局), formerly known as State Food and Drug Administration (“SFDA”) (國家食品藥品監督管理局) or China’s Drug Administration (“CDA”) (國家藥品監督管理局); references to NMPA include CFDA, SFDA and CDA;
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC;
“SAFE”	the State Administration of Foreign Exchange (國家外匯管理局);
“SAMR”	the State Administration for Market Regulation (國家市場監督管理總局);
“Securities and Futures Commission” or “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;
“STA”	the State Taxation Administration (國家稅務總局);
“VAT”	the PRC value-added tax;
“WFOE”	wholly foreign-owned enterprise;
“WHO”	the World Health Organization.

*Unless the content otherwise requires, reference to “2023” or “2024” in this document refers to our financial year ended December 31 of such year.*

*Certain amounts and percentage figures included in this document were subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures preceding them.*

*The English translation of the Chinese names of the PRC entities, enterprises, nationals, facilities and regulations in this document is for identification purposes only. To the extent that there is any inconsistency between the Chinese names of PRC entities, enterprises, nationals, facilities and regulations and their English translations, the Chinese names shall prevail.*

\* For identification purposes only

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains terms used in this document in connection with us and our business. Some of these terms and their meanings may not correspond to standard industry meanings or usage of such terms.*

“acute ischemic stroke” or “AIS”	a condition characterized by the sudden loss of blood circulation to an area of the brain, typically in a vascular territory, resulting in a corresponding loss of neurologic function;
“AEs”	adverse events, any untoward medical occurrences in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment;
“AIDS”	acquired immunodeficiency syndrome, defined as an HIV infection with either a CD4+ T cell count below 200 cells per $\mu\text{L}$ or the occurrence of specific diseases associated with HIV infection;
“ART”	antiretroviral therapy, medications that treat HIV;
“AUC”	area under the curve;
“cART” or “combination ART”	HIV treatment regimens that involve a combination of multiple antiretroviral medications from two or more drug classes;
“CD4”	a membrane glycoprotein that is involved in the triggering of the lymphocytes by foreign antigens and also the major receptor for HIV;
“CD4+ T cells”	CD4+ T lymphocyte, a subtype (named for the presence of the CD4 protein) of T cells, which are type of white blood cell that plays key roles in coordinating the adaptive immune response by activating and directing other immune cells function;
“cell line”	a population of cells which descend from a single cell and contain the same genetic makeup, and can be propagated repeatedly;
“Class 1 innovative drug”	a registration classification for chemical drugs implemented by the NMPA, which includes innovative drugs that have not been marketed in China or overseas and contain new compounds with clear structures, pharmacological effects and clinical values;

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## GLOSSARY OF TECHNICAL TERMS

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“C <sub>max</sub> ”	maximum measured plasma concentration;
“CMO”	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide drug manufacturing services;
“combination therapy” or “cocktail therapy”	treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease;
“common COVID-19”	a clinical category of COVID-19 cases as defined under the Diagnosis and Treatment Guideline for COVID-19 (Trial Version 9) (《新型冠状病毒肺炎診療方案(試行第九版)》) published by the National Health Commission of the PRC, between the mild and severe categories;
“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;
“DNA”	deoxyribonucleic acid;
“double-blind”	with respect to a clinical trial or study, one in which the subject(s), investigator(s), monitor and, in some cases, data analyst(s) being unaware of the treatment assignment(s);
“EGFR”	epidermal growth factor receptor;
“emergency use authorization” or “EUA”	authority granted during a public health emergency to allow the use of unapproved medical products, or unapproved uses of approved medical products, to diagnose, treat, or prevent serious or life-threatening diseases when certain criteria are met, including that there are no adequate, approved, and available alternatives;
“first-line treatment”	the first treatment option involving medicine, prescribed by physicians after diagnosis of a disease or disorder, and in some cases, after life style management (without medicine) has failed to control or cure such disease or disorder;
“GCP”	good clinical practice;

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## GLOSSARY OF TECHNICAL TERMS

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“GFA”	gross floor area;
“GLP”	good laboratory practice;
“GMP”	good manufacturing practice;
“HIV”	human immunodeficiency virus;
“ <i>in vitro</i> ”	“in glass” in Latin, studies <i>in vitro</i> are conducted outside of a living organism in a laboratory environment using test tubes, petri dishes, etc. using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules;
“ <i>in vivo</i> ”	“within the living” in Latin, studies <i>in vivo</i> are those in which the effects of various biological entities are tested on whole, living organisms as opposed to a partial or dead organism, or those done <i>in vitro</i> ;
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China;
“kinase”	a type of enzyme that catalyzes the transfer of phosphate groups from high-energy, phosphate-donating molecules to specific substrates. The protein kinases make up the majority of all kinases. Protein kinases act on proteins, phosphorylating them on their serine, threonine, tyrosine, or histidine residues. These kinases play a major role in protein and enzyme regulation as well as signalling in the cell;
“lamivudine”	a nucleoside analogue antiretroviral drug used in combination with other antiretroviral drugs to treat HIV, also known as 3TC;
“MAH”	marketing authorization holder;
“mpk”	a unit for concentration, being the amount of substance (milligram) divided by the mass of the subject (kilogram) used in the test;

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## GLOSSARY OF TECHNICAL TERMS

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“MRCT”	multi-regional clinical trial;
“MTD”	maximum tolerated doses, each of which is the highest dose of a drug or treatment that does not cause unacceptable side effects. The MTD is determined in <i>in vivo</i> assays by testing increasing doses on different groups of animals until the highest dose with acceptable side effects is found;
“NBP”	an NMPA-approved AIS drug with the main active ingredient being a chemical constituent in celery oil with potential neuroprotective effects, also known as butylphthalide;
“NDA”	new drug application;
“NNRTIs”	non-nucleoside reverse transcriptase inhibitors, a form of ART used to treat HIV infection or AIDS;
“NRDL”	National Reimbursement Drug List of the PRC;
“NRTIs”	nucleoside reverse transcriptase inhibitors, a form of ART used to treat HIV infection or AIDS;
“NSCLC”	non-small cell lung cancer, the most common type of lung cancer making up about 85% of all cases, which may or may not be metastatic. The cells of NSCLC are larger than those of small cell lung cancer. Some types are more aggressive than others, but generally small cell lung cancer is more aggressive than NSCLC;
“nucleoside”	a compound consisting of a purine or pyrimidine base linked to a sugar, especially ribose or deoxyribose;
“PBMC”	peripheral blood mononuclear cell, any blood cell having a round nucleus, such as a lymphocyte;
“per-protocol set” or “PPS”	data set generated by subjects in a clinical trial completing the study with no major protocol deviation;
“pharmacodynamics” or “PD”	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit and adverse effects of the drug;

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## GLOSSARY OF TECHNICAL TERMS

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“pharmacokinetics” or “PK”	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit and adverse effects of the drug;
“Phase I”	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 and excretion and, if possible, to gain an early indication of its effectiveness;
“Phase II”	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”	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 statistically sufficient data to statistically evaluate the efficacy and safety of the product for approval and to provide adequate information for the labeling of the product;
“placebo”	a substance or treatment with no active therapeutic effect, commonly used in clinical trials as the administered substance for the control group;
“PRDL”	provincial reimbursement drug list;
“preclinical studies”	preclinical studies testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials;
“receptor(s)”	a region of tissue, or a molecule in a cell membrane, which responds specifically to a particular signal, that is any of a neurotransmitter, hormone, antigen, or other substance;
“R&D”	research and development;

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## GLOSSARY OF TECHNICAL TERMS

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“RNA”	polymer formed from covalently linked ribonucleotide monomers;
“SAEs”	serious AEs, any untoward medical occurrence in human drug trials that at any dose: results in death; is life-threatening; requires inpatient hospitalization or causes prolongation of existing hospitalization; results in persistent or significant disability/incapacity; may have caused a congenital anomaly/birth defect, or requires intervention to prevent permanent impairment or damage;
“SARS”	severe acute respiratory syndrome, a viral respiratory disease caused by a SARS-associated coronavirus;
“SARS-CoV-2”	severe acute respiratory syndrome coronavirus 2, a novel coronavirus that causes COVID-19;
“T cell(s)”	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity;
“tolerability”	the degree to which overt AEs of a drug can be tolerated by a patient. Tolerability of a particular drug can be discussed in a general sense, or it can be a quantifiable measurement as part of a clinical study;
“toxicity”	the degree to which a substance or a mixture of substances can harm humans or animals. Acute toxicity involves harmful effects in an organism through a single or short-term exposure. It is expressed generally as a dose response.



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## FORWARD-LOOKING STATEMENTS

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This document contains certain forward-looking statements and information relating to our Company and its subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “forecast,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and the negative of these words and other similar expressions, as they relate to our Group 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 other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- the timing of initiation and completion, and the progress of our research and development programs and clinical trials;
- the timing and likelihood of regulatory filings and approvals, and pricing of our product candidates;
- the commercialization of our product candidates;
- the market opportunities and competitive landscape of our product candidates;
- estimates of our costs, expenses, future revenues, capital expenditures and our needs for additional financing;
- our ability to attract and retain senior management and key employees;
- our operations and business prospects;
- future developments, trends, conditions and competitive landscape in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to continue to maintain our market position in the industry;
- our financial condition and operating results and performance;
- industry trends and competition;

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## FORWARD-LOOKING STATEMENTS

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- our ability to attract customers and build our brand image;
- general political and economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our dividend policy; and
- the amount of, and potential for, future development of our business.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

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

## RISK FACTORS

*An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. In particular, we are a biotech company [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 market price of our Shares could decline, and you may lose all or part of your investment 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 an investment in our Shares, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to the development of our pipeline products; (ii) risks relating to the manufacturing and commercialization of our products; (iii) risks relating to our financial position and need for additional capital; (iv) risks relating to extensive government regulation; (v) risks relating to our intellectual property rights; (vi) risks relating to our relationship with third parties; (vii) risks relating to our industry and business operations; and (viii) 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 and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

### **RISKS RELATING TO THE DEVELOPMENT OF OUR PIPELINE PRODUCTS**

**A majority of our drug portfolio are currently in preclinical or clinical development. If we are unable to successfully complete development, or experience significant delays in doing so, our business, financial condition, results of operations and prospects will be materially harmed.**

Our business depends on the successful development of our drug and drug candidates for the treatment of viral infection, oncological and cardio-cerebrovascular diseases. We have invested a significant portion of our efforts and financial resources in the discovery and development of our drug and drug candidates. The success of our drug and drug candidates in terms of preclinical or clinical development will depend on a number of factors, as applicable, including:

- successful completion of preclinical studies;

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## RISK FACTORS

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- successful enrollment of patients in, and completion of, clinical trials;
- favorable safety and efficacy data from our clinical trials or other studies;
- receipt of regulatory approvals;
- arrangements with third-party CMOs to maintain sufficient quantities of clinical supplies of our drug candidates;
- our ability to effectively and simultaneously design, manage and supervise a significant number and range of clinical trials, including single site or multiple sites in a single region or at multiple sites as part of an MRCT and various other jurisdictions;
- reliance on CROs or other third parties that we may retain in multiple jurisdictions or regions to conduct clinical trials safely and efficiently, and in a manner that complies with our protocols and applicable laws, and that protects the integrity of the resulting data;
- the ability of our collaborators to carry out the development plans under our collaboration with them;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our drug candidates;
- ensuring we do not infringe, or otherwise violate the patent, trade secret or other intellectual property rights of third parties; and
- alleviating effects of disruptions caused by man-made or natural disasters or public health pandemics or epidemics, or other business interruptions.

In addition, we must keep pace with new technologies and methodologies to maintain our competitive position. We may be unable to develop, enhance or adapt to new technologies or methodologies. Any failure to do so may make our techniques obsolete, which could harm our business and prospects.

If we do not achieve one or more of these factors in a timely manner, or at all, we could experience significant delays in completing or be unable to complete the preclinical or clinical development of and/or maintain or obtain approval for our drug candidates, which would materially harm our business, and we may fail to generate sufficient revenue or cash flows to continue our operations. These factors present uncertainty and material risks to our commercial success and may cause potential investors to lose a substantial amount, or substantially all, of their investments in us.

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## RISK FACTORS

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**Clinical drug development involves a lengthy and expensive process with an uncertain outcome and results of earlier studies and trials may not be predictive of future trial results.**

Clinical trials are expensive and can take many years to complete, and their outcomes are inherently uncertain and may not be favorable. Failure can occur at any time during the clinical trial process. The results of preclinical studies or early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Drug candidates in later stages of clinical trials may fail to show desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. In some instances, there can be significant variability in safety and/or efficacy results between different studies and trials of the same drug candidate due to numerous factors (including changes in trial procedures set forth in protocols), differences in the size and type of the patient populations (including genetic differences), patient compliance to the dosing regimen and other trial protocol elements and the rate of dropout among clinical trial participants. Therefore, our future clinical trial results may not be favorable.

Even if our future clinical trial results show favorable efficacy and safety profile, not all patients may benefit. For certain drug candidates, and in certain indications, it is possible that many patients may not respond to the agents at all, some responders may relapse after a period of response and may develop or appear particularly resistant.

**If our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results in clinical trials, 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 sale of our drug candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. We may experience numerous unexpected events during, or as a result of, the various stages of our clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our drug candidates, including, but not limited to:

- regulators, institutional review boards or ethics committees may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- inability to reach agreements on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- clinical trials of our drug candidates may produce negative, inconclusive or insufficient results and additional clinical trials or abandoning or modifying our R&D programs (including targeted patient groups or indications) may be required;

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## RISK FACTORS

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- requiring a larger-than-anticipated number of patients for clinical trials of our drug candidates or experiencing insufficient or slower enrollment or higher dropout rates in our clinical trials than anticipated;
- failure by our third-party contractors, including CROs and clinical investigators, to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- voluntary or involuntary suspension or termination of clinical trials of our drug candidates for various reasons, including a finding of a lack of clinical response, or other unexpected characteristics, or a finding that participants are being exposed to unacceptable health risks;
- higher-than-anticipated cost of clinical trials of our drug candidates; and
- insufficient or inadequate supply or quality of our drug candidates, companion diagnostics or other materials necessary to conduct clinical trials of our drug candidates.

If we are required to conduct additional clinical trials or other testing of our drug candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our drug candidates, or complete other testing, or if the results of these trials or tests are not positive or are only modestly positive or raise safety concerns, we may (i) be delayed in obtaining regulatory approval for our drug candidates; (ii) not obtain regulatory approval at all or maintain the regulatory approval obtained for our drug; (iii) obtain approval for indications that are not as broad as intended; (iv) have the drug removed from the market after obtaining regulatory approval; (v) be subject to additional post-marketing testing requirements; or (vi) be subject to restrictions on how the drug is distributed or used. As such, 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 market price of our Shares.

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## RISK FACTORS

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**Our conditional approvals of azvudine from the NMPA may be revoked if we fail to complete the post-approval requirements.**

We have obtained conditional approvals of azvudine from the NMPA for treating HIV infection and COVID-19 in July 2021 and July 2022, respectively. While we are authorized to market azvudine for the treatment of HIV infection in China, we are required to conduct a post-approval Phase III clinical trial to monitor the efficacy and safety of azvudine and submit the result reports to the NMPA pursuant to the requirements in the conditional approval. Similarly, while we are authorized to market azvudine for the treatment of COVID-19 in China, we shall (i) conduct pharmacodynamic studies of azvudine against mutant variants of the SARS-CoV-2 virus; (ii) actively progress ongoing clinical trials of azvudine and submit trial reports upon completion; (iii) continue to collect efficacy and safety clinical data post-approval; and (iv) submit the required materials within three years of approval. There can be no assurance that we will be able to complete the post-approval clinical studies in a timely manner, or at all. If we fail to submit safety reports periodically and/or the clinical trial reports within the required time limits from the date of approval, the conditional approvals of azvudine may be revoked. As a result of the foregoing, our business and future growth may be materially harmed, and we may not be able to generate sufficient revenue and cash flows to continue our operations and may experience a decline in the market price of our Shares. See “Business—Our Product Portfolio—Our Antiviral Drug and Drug Candidates—HIV Drug Pipeline—Azvudine” and “—COVID-19 Drug Pipeline—Azvudine” in this document for details.

**Our current and future drug candidates, the methods used to deliver them or their dosage levels may cause undesirable side effects, which could halt clinical development or result in potential liability.**

Our drug pipeline includes novel therapeutics for treating viral infections, oncological and cardio-cerebrovascular diseases. The results of our clinical trials could reveal a high and unacceptable severity and prevalence of undesirable side effects. The methods used to deliver our current and future drug candidates or their dosage levels, for example, may cause undesirable side effects, which could halt clinical development or result in potential liability. Any such side effects could also adversely impact our ability to obtain regulatory approvals. The NMPA or other regulatory authorities could order us to suspend or terminate our studies or cease further development of our drug candidates or deny approval of our drug candidates. If we elect or are forced to suspend or terminate any clinical trial of our drug candidates, the commercial prospects of such product will be harmed and our ability to generate revenue from such product will be delayed or eliminated. Any drug-related side effects could also affect patient recruitment or the ability of enrolled patients to complete trials or may result in potential product liability claims. Any of these occurrences may significantly harm our business, financial condition, results of operations and prospects.

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## RISK FACTORS

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In addition, if our drug candidates cause injury or death or are found to be otherwise unsuitable during clinical trials, our reputation may be damaged and we may face substantial liabilities related to product or other liability claims.

**Interim, top-line and/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.**

From time to time, we may publish or use interim, top-line and/or preliminary data from our clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Preliminary or top-line data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published or used. As a result, interim and preliminary data should be viewed with caution until the final data are available. Differences between preliminary or interim data and final data may significantly harm our business prospects and may cause the trading price of Shares to fluctuate significantly.

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

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who opt to participate and remain in the trial until completion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including the size and demographics of the patient population, the patient eligibility criteria defined in the protocol, our ability to obtain and maintain patient consents and the outbreak of epidemics or pandemics, among other things.

In addition, our clinical trials likely will 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, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by our competitors. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of our planned clinical trials, which could prevent completion of these trials.

Any such delays to the timely completion of our clinical trials may adversely affect our ability to advance the development of our drug candidates. Significant clinical trial delays may also shorten any periods during which we commercialize our drug candidates or allow our competitors to bring drugs to market before we do, which may materially harm our business, financial condition, results of operations and prospects.



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## RISK FACTORS

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**We may fail to identify, discover or develop new drug candidates, or to identify additional therapeutic opportunities for our drug candidates, to expand or maintain our product pipeline.**

We plan to continue building our pipeline through our internal discovery to identify new drug candidates and disease targets and to pursue the development of our drug candidates for additional indications, which requires substantial technical, financial and human resources without guaranteed ultimate success. Our focus is on the development of a pipeline of drug candidates for the treatment of viral infection, oncological and cardio-cerebrovascular diseases and the progression of these drug candidates through clinical development in China and other jurisdictions.

Even if we are successful in continuing to build our pipeline and developing next-generation drug candidates or expanding into additional territories, the potential product candidates that we identify may not be suitable for clinical development, including as a result of lack of safety, tolerability, efficacy or other characteristics, which indicate that they are unlikely to be products that will receive marketing approval, achieve market acceptance or be reimbursed from third-party payors for their purchase. We cannot provide you any assurance that we will be able to successfully advance any of our additional drug candidates through the development process.

Our R&D programs may initially show promises in identifying potential drug candidates, yet fail to yield drug candidates for clinical development or commercialization for many reasons, including the following:

- our drug candidates may not succeed in preclinical or clinical trials;
- a drug candidate may, on further study, be shown to have harmful side effects or other characteristics that indicate it is unlikely to be effective or otherwise does not meet applicable regulatory criteria;
- competitors may develop alternatives that render our drug candidates obsolete or less attractive;
- drug candidates we develop may nevertheless be covered by third parties' patents or other exclusive rights;
- the market for a product candidate may change during our R&D program so that the continued development of that product candidate is no longer reasonable;
- a product candidate may not be capable of being produced in commercial quantities at an acceptable cost, or at all;

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## RISK FACTORS

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- a product candidate may not be accepted as safe and effective by patients, the medical community or third-party payors; and
- the rate of adoption of a product candidate, if approved and commercialized, may be low.

If any of these events occur, we may be forced to abandon our development efforts for a R&D program or programs, or we may not be able to identify, discover, develop or commercialize additional drug candidates, which would have a material adverse effect on our business and could potentially cause us to cease operations. Further, because of our limited financial and managerial resources, we are required to focus our R&D programs on certain drug candidates and on specific diseases. As a result, we may forego or delay pursuit of opportunities with other drug candidates or for other indications that later prove to have greater commercial potential or a greater likelihood of success.

Accordingly, there can be no assurance that we will ever be able to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates through internal R&D programs, which could materially and 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, which may have a material and adverse impact on our business, financial condition and results of operations.

### **RISKS RELATING TO THE MANUFACTURING AND COMMERCIALIZATION OF OUR PRODUCTS**

**The manufacture of pharmaceutical products is a complex process which requires significant expertise and capital investment. If we encounter problems in utilizing or expanding our manufacturing capabilities in the future and/or our CMOs encounter problems manufacturing our future products, our business could suffer.**

The manufacture of pharmaceutical products is a complex process which requires significant expertise and capital investment. During the Track Record Period, we engaged third parties to manufacture azvudine. Problems may arise during the manufacturing process for a variety of reasons, including volume pressure, equipment malfunction and/or damage, failure to follow specific protocols and procedures, problems with raw materials, delays related to the construction of new facilities or expansion of any future manufacturing facilities, including changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, increases in the prices of raw materials, decreases in the supply of raw materials, physical limitations that could inhibit continuous supply, temporary suspensions in the production, man-made or natural disasters and environmental factors.

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If problems arise during the production of a batch of product, that batch of product may have to be disposed in compliance with applicable laws and regulations. This may lead to, among other things, increased costs, lost revenue, damage to customer relationships and additional time and expense spent investigating the cause. If problems are not discovered before the product is released to the market, such product may be recalled and product liability costs may also be incurred. Upon the occurrence of any of the foregoing, 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 occurrences could delay our clinical trials and/or the availability of our products for commercial sale and may harm our market reputation and relationship with business partners. Moreover, we may spend significant time and costs to remedy these deficiencies before we can continue production.

In addition, we may fail to utilize or expand our manufacturing capabilities in the future. We have our own manufacturing facilities which is used for in-house productions of azvudine. We may be subject to problems arising during the manufacturing process for a variety of reasons as discussed in the preceding paragraph. Given that we have limited experience in managing the manufacturing process, we cannot assure you that we will be able to sufficiently utilize our manufacturing capabilities or expand such capabilities in the future.

**We may not be able to precisely predict the market size and opportunities for our drug candidates.**

We currently focus our product development on drug candidates for the treatment of viral infections, oncological and cardio-cerebrovascular diseases. Our estimates regarding our eligible patient population, pricing and available coverage and reimbursement determine our estimated market size, which may differ significantly from the actual market addressable by our drug candidates. Our estimates of both the number of people who have these diseases, as well as the subset of people with these diseases who have the potential to benefit from treatment with our drug candidates, are based on our beliefs and analyses. These estimates have been derived from a variety of sources, including the scientific literature or market research, and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of the diseases we are targeting. The number of patients may turn out to be lower than expected. Likewise, the potentially addressable patient population for each of our drug candidates may be limited or may not be receptive to treatment with our drug candidates, and new patients may become increasingly difficult to identify or access. If the market opportunities for our drug candidates are smaller than we estimate, it could have an adverse effect on our business, financial condition, results of operations and prospects.

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**Even if we are able to commercialize our approved drug and/or any future drug candidates for which we will receive regulatory approval, our drug and drug candidates may be subject to unfavorable pricing regulations and unavailable or limited reimbursement, which could harm our business.**

The regulations that govern pricing and reimbursement for new therapeutic products vary widely. The prescription pharmaceutical pricing remains subject to regulation, which can take considerable time even after obtaining regulatory approval. Market acceptance and sales of any of our current or future approved drugs will depend significantly on the availability of adequate coverage and reimbursement from governmental and private third-party payors for drugs and may be affected by existing and future health care reform measures. As a result, we might obtain regulatory approval for a drug, but then be subject to price regulations that delay or otherwise limit our commercial launch of the drug and negatively impact our revenues.

A primary trend in the global healthcare industry is cost containment. In China, the NHSA or provincial healthcare security authorities, together with other government authorities, review the inclusion or removal of drugs from the China’s national drug catalog for basic medical insurance, or the NRDL, or provincial or local medical insurance catalogues for the national medical insurance program, or 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. These determinations are made based on a number of factors, including price and efficacy. However, there can be no assurance that any of our current or future approved drugs will be included in the NRDL or PRDLs on reasonable reimbursement ratios, or at all. If we were to successfully launch commercial sales of our products but fail in our efforts to have our products included in the NRDL or PRDLs, our sales channels may be limited and our revenue from commercial sales will be highly dependent on patient self-payment, which can make our products less competitive.

Moreover, reimbursement may impact the demand for, or the price of, any approved drug that we commercialize. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any drug that we successfully develop.

In addition, there may be significant delays in obtaining reimbursement for our current or future approved drugs, and coverage may be more limited than the purposes for which such drugs are approved. Our inability to promptly obtain coverage and profitable payment rates from both governmental and private third-party payors for any current or future approved drugs and any additional drug candidates that we develop could have a material adverse effect on our business, operating results, and overall financial condition.

**Even if reimbursement is available, we may need to significantly concede on prices for our current or future approved drugs in China and face uncertainty of profitability.**

In November 2024, the NHSA organized a price negotiation with drug companies for new drugs that had not been included in the NRDL at the time of the negotiation, which resulted in an average price reduction by over 63% for 89 drugs that passed the negotiation. We may also need to attend the price negotiation with the NHSA of our current or future approved drugs in China, which may lead to a reduction in our prices, and to negotiate with each of the local

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## RISK FACTORS

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healthcare security administrations on reimbursement ratios. Even if the NHSA or any of its local counterparts includes any of our current or future approved drugs in the NRDL or the PRDL, which may increase the demand for such drug, our potential revenue or profitability from the sales of such drug may still decrease as a result of lower prices. Even if our current or future approved drugs were included in the NRDL or the PRDL without any price deduction, the degree of market acceptance and demand would still remain uncertain. Eligibility for reimbursement in China does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including license fees, research, development, manufacture, sales and distribution.

Moreover, the prices we may offer to the NHSA and its local counterparts may be used as benchmarks and further discounted required by private hospitals. The centralized tender process may also create pricing pressure among substitute products or products that are perceived to be substitute products, and we cannot assure you that our current or future drugs would not be adversely affected.

**We have limited experience in launching and marketing drug candidates. If we are unable to strengthen marketing and sales capabilities or enter into agreements with third parties to market and sell our drug candidates, our revenue could be adversely affected.**

We have obtained a conditional approval of azvudine from the NMPA for treating HIV infection in July 2021 and a conditional approval for COVID-19 indication expansion in July 2022, and have launched commercial sales of azvudine for both indications. We have established our own commercialization team, and will further enhance our own commercialization capabilities. However, our ability to successfully commercialize our drug candidates may involve inherent risk, take longer, and cost more than it would if we were a company with experience launching and marketing drug candidates. As a result, our ability to successfully commercialize our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with abundant experience launching and marketing drug candidates.

We also may seek opportunities of strategic cooperation with leading pharmaceutical companies with extensive experience in the sales and marketing of drug candidates in both domestic and overseas markets. We granted Fosun Pharmaceutical Industrial an exclusive commercialization right of azvudine in mainland China in July 2022, through which we successfully commercialized azvudine in China by the end of 2022, primarily as a COVID-19 treatment and achieved extensive geographic and hospital coverage. We terminated such license-out arrangement with Fosun Pharmaceutical Industrial in September 2024, considering the evolving market conditions and in the best interest of both parties, and we hence regained the full commercialization right of azvudine in mainland China. For details, see “Business—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreement” in this document. If we enter into similar arrangements in the future, there can be no assurance that we will be able to establish or maintain such collaborative arrangements or, even if we are able to do so, that such arrangements will enhance our ability to successfully launch and commercialize our drugs. In addition, part of our revenue may depend upon the efforts of such third parties. We would have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales

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may be lower than if we had commercialized our drug candidates ourselves. We also face competition in our search for third parties to assist us with the sales and marketing efforts for our drug candidates. As a result, our revenue could be adversely affected.

**We may derive a portion of our future revenue from sales to government agencies. If we are unable to procure such government sales, our business, financial condition, operating results and cash flows would be materially harmed.**

We may derive a portion of our future revenues from sales to governmental agencies of the PRC and other jurisdictions. We may also participate in the centralized volume procurement organized by the government agencies but may not be successful during the public tender process. The government contracting process (which may involve a competitive bidding process) involves unique risks and requirements, including:

- the procurement laws of the PRC or other jurisdictions provide many requirements for a supplier that wants to participate in the government procurement, and we may not meet such requirements at all times;
- the possibility that we may be ineligible to respond to a request for proposals issued by the government;
- the devotion of substantial time and attention of management and key employees to the preparation of bids and proposals for contracts that may not be awarded to us;
- the need to accurately estimate the resources and cost structure that will be required to perform any contract that we might be awarded;
- the submission by third parties of protests to our responses to requests for proposals that could result in delays or withdrawals of those requests for proposal; and
- in the event our competitors protest or challenge contracts or grant awards made to us pursuant to competitive bidding, the potential that we may incur expenses or delays, and that any such protest or challenge could result in the resubmission of bids based on modified specifications, or in the termination, reduction or modification of the awarded contract.

Even if we are able to procure governmental contracts initially, upon the expiration of a procurement contract, we may not be able to negotiate a follow-on procurement contract for the particular product for a similar product volume, period of performance, pricing or other terms, or at all. Moreover, if we are able to secure contracts with the governments to supply our drug products, we must comply with numerous laws and regulations relating to the procurement, formation, administration and performance of government contracts. These laws and regulations govern how we transact business with our government customers and, in some instances, impose additional costs and related obligations on our business operations.



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### **Mutations to pathogens may negatively affect the effectiveness of our antiviral products and thereby reduce demand for such products.**

Antiviral products are our key commercialized products currently. The efficacy of our antiviral products may be affected by mutated pathogens, including those that develop resistance against certain chemical compounds over time. Mutations of viruses may happen over time or suddenly. For example, as a virus replicates, small genetic changes in the viral genome may occur. As these changes accumulate over time, the virus may become genetically different from the original virus type. We have developed and obtained conditional approvals for azvudine for the treatment of HIV infection and COVID-19, and are investigating potential further indication expansions to certain types of tumor. The effectiveness of our antiviral products may be adversely affected if the pathogen type for which our products target mutates or otherwise develops resistance against the relevant products (or the chemical compound associated with the relevant products). If the effectiveness of our antiviral products in respect of the treatment against the relevant pathogen type is diminished, it may reduce the demand for our antiviral products and in turn, adversely affect the turnover generated from such antiviral products.

### **We may be subject, directly or indirectly, to applicable anti-commercial bribery, false claims laws, physician 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 criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.**

Healthcare providers, physicians and others play a primary role in the recommendation and prescription of any products for which we obtain regulatory approval. Commercializing our drugs in China, our operations may be subject to various fraud and abuse laws, including, without limitation, the PRC Anti-Unfair Competition Law and the PRC Drug Administration Law and its implementing regulations. These laws and regulations may impact, among other things, our proposed sales and marketing programs. Violations of 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 PRC government. In addition, the approval and/or commercialization of any of our drug candidates outside China may also likely subject us to equivalents of the healthcare laws mentioned.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines.

Further, if any of the physicians or other providers or entities with whom we expect to do business are found not to be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from possible government funded healthcare programs, which may also adversely affect our business.

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## RISK FACTORS

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**Even if any of our drug candidates receive marketing approval, they may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.**

Even if any of our drug candidates receive marketing approval, physicians, patients and third-party payors may prefer other products to ours. If approved for commercial sale, the degree of market acceptance of our drug candidates will depend on a number of factors, including:

- the clinical indications for which our drug candidates are approved;
- physicians, hospitals, clinics and patients considering our drug candidates as a safe and effective treatment;
- the potential and perceived advantages of our drug candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of regulatory authorities and limitations or warnings contained in the labeling approved by regulatory authorities;
- the timing of market introduction of our drug candidates as well as competing drugs;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- the willingness of patients to take our drug candidates and to pay out-of-pocket in the absence of coverage and reimbursement by governmental and/or private third-party payors; and
- the effectiveness of our sales and marketing efforts.



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## RISK FACTORS

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If any approved drug candidates that we commercialize fail to achieve market acceptance in the medical community, we will not be able to generate significant revenue. Even if our drug candidates, if approved, achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received or more cost-effective than our drug candidates or render our drug candidates obsolete.

**We are developing certain drug candidates individually and as combination therapies and failure of development of one drug may materially and adversely affect our ability to develop our combination therapies involving such drug.**

We plan to conduct further R&D work to combine our drug candidates for combination use in the future. For combination of drug candidates, if we are unable to successfully develop a certain drug in the combination therapy, we will be unable to commercialize the combined drug. A combination therapy also depends on the safety, efficacy and the progress of development and regulatory approval of each component drug within each regimen.

Any safety, efficacy or other issues arising from any drug used in combination with or to facilitate the use of our drug candidates, such as undesirable side effects, could potentially cause significant negative consequences, including: (i) regulatory authorities could delay or halt pending clinical trials; (ii) we may suspend, delay or alter development of the drug candidate or commercialization of the drug; (iii) regulatory authorities may withdraw approvals or revoke licenses of the drug, or we may determine to do so even if not required; (iv) regulatory authorities may require additional warnings on the label; (v) we may be required to conduct post-market studies; (vi) we could be sued and held liable for harm caused to subjects or patients; and (vii) our reputation could be harmed.

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

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

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

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## RISK FACTORS

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**We are subject to certain risks associated with transportation and warehousing of our raw materials and drug products.**

Having a reliable transportation network is crucial for the delivery of our raw materials and drug products safely and timely. However, unforeseen events that are beyond our control, such as transportation bottlenecks, natural disasters or labor strikes, may occur during the delivery process of our raw material and drug products and could potentially disrupt available transportation networks. In addition, any poor handling by our carriers, contamination during the transportation network, or deterioration in transport condition, such as fluctuation in temperature and humidity, may damage and/or affect the efficacy of our raw materials and drug products. If our raw materials were not delivered to our or our CMOs’ manufacturing facilities in a timely manner, we may fail to deliver our products to our customers on time. If our drug products failed to be delivered to us or our customers on time, or were damaged, stolen or contaminated before reaching our customers, our market reputation and profitability may be materially and adversely affected, and we may be subject to claims or litigations if we fail to deliver the drug products in accordance with relevant agreements. Any of the forementioned events would materially and adversely affect our business, financial condition or results of operations.

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

**We incurred net losses during the Track Record Period, expect to incur net losses for the foreseeable future and may not achieve or maintain profitability.**

Results of investment in pharmaceutical drug development are highly uncertain. It entails substantial upfront capital expenditures and carries significant risk that a drug candidate will fail to gain regulatory approval or become commercially viable. We recorded net losses in 2023 and 2024, primarily due to our costs incurred in connection with our research and development activities, administrative expenses, selling and distribution expenses, other expenses, finance costs and changes in fair value of convertible redeemable preferred shares.

We may continue to record a net loss in the future as we continue and expand our development of, and seek regulatory approvals for, our current and future drug candidates. R&D expenses for a particular drug candidate typically increase significantly as the candidate moves from preclinical R&D to clinical trials. Our current and planned clinical trials will require significant further investments to complete. In addition, we will incur costs associated with operating as a public company. The size of our future net losses will depend, in part, on the number and scope of our R&D programs and their associated costs, the cost of commercializing any approved products, our ability to generate revenues, the timing and amount of milestones and other payments we make or receive with or through arrangements with third parties and investment in our manufacturing facilities. Typically, it takes several years to develop one new drug from the drug discovery to when it is available for treating patients. If any of our drug candidates fails in clinical trials or does not gain regulatory approval or, if approved, fails to achieve market acceptance, we may never become profitable.

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## RISK FACTORS

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Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our R&D efforts, expand our business or continue our operations.

Securing production capacity and building necessary product inventories in connection with clinical development and possible sales necessitates significant capital expenditures prior to revenue generation. If we fail to make sales as planned, we will incur costs associated with unsold product. As a result of the above, we may continue to incur significant and increasing operating losses and negative net cash flows for the foreseeable future, which may in turn have a material adverse effect on our financial condition and results of operations.

### **We had net liabilities during the Track Record Period.**

As of December 31, 2023 and 2024, we had net liabilities of RMB1,061.0 million and RMB1,098.5 million, respectively. Our deficit position was primarily due to the accounting treatment for our Preferred Shares, which are classified as convertible redeemable preferred shares under liabilities. See “—Any change in fair value of our Preferred Shares could materially affect our financial positions and performance” below. We expect that we may have net liabilities for the foreseeable future. If we have any difficulties or fail to meet our liquidity needs as and when needed, we may default in our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

### **We will need to obtain additional financing to fund our operations and, if financing is not available 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 will require substantial investment for the completion of clinical development, regulatory review and approval, manufacturing activities and commercialization efforts before they can provide us with product sales revenue. We may also expand our existing R&D programs or plan to invest in new programs. These and other activities will require us to expend significant amounts.

We will require further funding through public or private equity offerings, debt financing, collaboration and licensing arrangements or other sources to support our business operations.

Adequate additional funding may be unavailable on acceptable terms, or at all. If we are unable to raise capital when needed or on acceptable terms, we may be forced to delay, reduce or eliminate our R&D programs or future commercialization efforts. Our inability to obtain additional funding when we need it could seriously harm our business.

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## RISK FACTORS

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**We have incurred and expect to continue to incur significant share-based payments in connection with equity grants to our Directors, senior management and employees.**

To incentivize and retain our Directors, senior management and employees, we have made and expect to continue to make equity awards under the RSU Scheme. The granting of such share-based compensation would increase our share-based expenses and thus may adversely affect our financial performance. In 2023 and 2024, our equity-settled share-based payment expenses totaled RMB2.0 million and RMB2.5 million, respectively. We expect to continue to grant share-based payments to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

**We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.**

We are a biotech 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. A majority of our drug portfolio are still at various stages of development and have not been commercialized. Our limited operating history, particularly in the rapidly evolving biotechnological and pharmaceutical industries, 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 investors to lose substantially all of their investment in us.

**Any change in fair value of our Preferred Shares could materially affect our financial positions and performance.**

As of December 31, 2024, we had entered into various investment agreements with independent investors pursuant to which we issued Preferred Shares to the investors. We recorded these financial instruments as financial liabilities at fair value through profit or loss. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation model involving various parameters and inputs. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at fair value through profit or loss which may be charged into the profit or loss of the financial statements.

Although our Preferred Shares will be automatically converted to Shares upon the [REDACTED], any change in fair value of these Preferred Shares could materially affect our financial positions and performance. We recorded fair value losses on convertible redeemable preferred shares of RMB75.1 million and RMB79.5 million in 2023 and 2024, respectively. After the automatic conversion of all Preferred Shares into Shares upon the [REDACTED], we do not expect to recognize any further losses on fair value change from Preferred Shares in the future.

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## RISK FACTORS

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**The occurrence of any future currency exchange rate fluctuations could have a material adverse effect on our business, financial condition, results of operations and prospects.**

We are subject to foreign exchange fluctuations. Certain of our cash and cash equivalents are denominated in foreign currencies, and are exposed to foreign currency risks. The exchange rates of the Renminbi against Hong Kong dollars, U.S. dollars and other foreign currencies fluctuate and are affected by, among other things, changes in policies, political and economic conditions in various countries, 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 the Renminbi and the Hong Kong dollars, U.S. dollars or other currencies in the future. It is difficult to predict how market forces or Chinese or U.S. government policies may impact the exchange rate between RMB and the U.S. dollar in the future.

Any significant appreciation or depreciation of the Renminbi may materially and adversely affect our business, financial position, results of operations and prospects. For example, to the extent that we need to convert U.S. dollars we receive into the Renminbi to pay our operating expenses, appreciation of the Renminbi against U.S. dollars would have an adverse effect on the Renminbi amount we would receive from the conversion.

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

Unless and until we can generate a substantial amount of revenue from our drug candidates, we expect to fund our future cash needs through public or private equity offerings, debt financing and other sources. 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. If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest in us will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party, on unfavorable terms, our rights to technologies or drug candidates that we otherwise would seek to develop or commercialize ourselves, or possibly reserve for future potential arrangements, when we might be able to achieve more favorable terms.

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## RISK FACTORS

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### RISKS RELATING TO EXTENSIVE GOVERNMENT REGULATION

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

We intend to primarily focus our activities on the Chinese market and ultimately expect to extend our activities to overseas markets. These geopolitical areas all strictly regulate the biotech and pharmaceutical industries, and in doing so they employ broadly similar regulatory strategies, including regulation of product development and approval, manufacturing, marketing, sales and distribution of products. However, there are differences in the regulatory regimes, some minor, some significant, which make for a more complex and costly regulatory compliance burden for a company like us that plans to operate in each of these markets.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's non-approval, refusal or withdrawal, license revocation and total or partial suspension of clinical trials, production or distribution. Failure to comply with these regulations could have a material adverse effect on our business.

We cannot assure you that we will be able to pass all the inspections and obtain clearance in relation to discovery, development and manufacturing, as applicable, from the applicable regulatory authorities in all material respects. Any failure to comply with existing regulations and industry standards could result in fines or other punitive actions against us and the disqualification of data for submission to regulatory authorities, 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 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.

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**The regulatory approval processes of the NMPA and other comparable regulatory authorities are time-consuming and inherently unpredictable. If we are ultimately unable to obtain, or are substantially delayed in obtaining, regulatory approval for our drug candidates, our business will be substantially harmed.**

The time required to obtain approval by the NMPA and other comparable regulatory authorities is unpredictable but can take up to five to ten years following the commencement of clinical trials and depends on numerous factors.

While we have and may continue to leverage trial networks with hospitals to expedite development of our drug candidates, there is no guarantee that any of our drug candidates will be approved for inclusion in the studies by regulatory authorities and/or hospitals. Even if approved, a drug candidate could be dropped from the study, or additional studies, modifications or curtailment of our development efforts could be required.

Our drug candidates could fail to receive regulatory approval for many reasons, including but not limited to:

- failure to begin or complete clinical trials for various reasons, including disagreements with regulatory authorities;
- failure to demonstrate that a drug candidate is safe and effective or, if it is a biologic, that it is safe, pure, and potent for its proposed indication;
- failure of clinical trial results to meet the level of statistical significance required for approval;
- data integrity issues related to our clinical trials;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- changes in approval policies or regulations that render our preclinical and clinical data insufficient for approval and require us to amend our clinical trial protocols;
- regulatory requests for additional analyses, reports, data, nonclinical studies and clinical trials, or questions regarding interpretations of data and results and the emergence of new information regarding our drug candidates or other products;
- our failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols; and
- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.



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## RISK FACTORS

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If we experience delays in the completion of a clinical trial of any of our drug candidates, the commercial prospects of that drug candidate will be harmed, and our ability to generate product sales revenues from any of those drug candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our drug candidate development and approval process, and jeopardize our ability to commence product sales and generate related revenues for that drug candidate. Any of these occurrences may harm our business, financial condition and prospects significantly. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our drug candidates.

**Our failure to obtain or renew certain approvals, 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 approvals, licenses, permits and certificates from relevant authorities to operate our business. Some of these approvals, permits, licenses 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 approvals, 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. There is also no assurance that the relevant authorities would not take any enforcement action against us. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

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 approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenues and/or increase our costs, which could materially reduce our profitability and prospects.

**Our drug candidates will be subject to ongoing or additional regulatory obligations and continued regulatory review, which may result in significant additional expenses, and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drug candidates.**

Our drug candidates will be subject to ongoing or additional regulatory requirements for manufacturing, labeling, packaging, storage, marketing, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy and other post-market information, including requirements of regulatory authorities in China and other jurisdictions. Moreover, manufacturers and manufacturers' facilities are required to comply



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## RISK FACTORS

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with extensive NMPA and other regulatory authority requirements ensuring that quality control and manufacturing procedures conform to GMP regulations. We and our CMOs must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

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 candidate. The NMPA or other regulatory authorities may also require a risk evaluation mitigation strategy program as a condition of approval of our drug candidates or as a condition following approval. In addition, if the NMPA or any other 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 GMP and GCP for any clinical trials that we conduct post-approval.

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

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

Any government investigation of alleged violations of law could require us to expend significant time and resources and could generate negative publicity.

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## RISK FACTORS

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**Recently enacted and future legislations may increase the difficulty and cost for us to successfully commercialize our drug candidates and therefore adversely affect our business.**

In China and other jurisdictions, a number of legislative and regulatory changes and proposed changes regarding biotech and pharmaceutical markets could regulate post-approval activities and affect our ability to profitably sell our drug and any drug candidates for which we obtain regulatory approval. For example, in order to promote the fair competition and sustainable industry development, the PRC government issued the Notice on Opinions on the Implementation of the “Two-Invoice System” in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行“兩票制”的實施意見(試行)的通知》) on December 26, 2016, which requires one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and one invoice to be issued from pharmaceutical distributors to medical institutions. See “Regulatory Overview—Regulations Relating to Drugs—Regulations on Two-Invoice System” in this document for details. As the implementation of the “Two-Invoice System” is still at an early stage, and the interpretation and enforcement of such system are evolving and subject to revision from time to time, we cannot predict how the implementation and enforcement will evolve in different provinces in China. The implementation status of the “Two-Invoice System” in different provinces may have a direct impact on the distribution model we and/or our business partners may adopt and we may incur additional expenses in adjusting the distribution model in the future. As a result, it may adversely affect our business and financial performance.

**Adverse drug reactions and negative results from off-label use of our products could materially harm our business reputation, product brand name, financial condition and expose us to liability.**

Products distributed or sold in the biotech and pharmaceutical markets may be subject to off-label drug use. Off-label drug use is prescribing a product for an indication, dosage or in a dosage form that have not been approved by the relevant authorities. Even though the NMPA and other 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. Any of these occurrences can create negative publicity and significantly harm our business reputation, product brand name, commercial operations and financial condition. These occurrences may also expose us to liability and cause, or lead to, a delay in the progress of our clinical trials and may also ultimately result in failure to obtain regulatory approval for our drug candidates.

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## RISK FACTORS

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**The 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 jurisdictions where government price controls or other market dynamics result in lower prices may adversely affect the demand for our future approved drug candidates and, in turn, may adversely affect our sales and profitability in China and other jurisdictions where we commercialize our products. Unapproved imports of prescription drugs are illegal under current laws of China. However, illegal imports may continue to occur or even increase as the ability of patients to obtain these lower priced imports continues to grow. Furthermore, cross-border imports from lower-priced markets (parallel imports) into higher-priced markets could harm sales of our products and exert commercial pressure on pricing within one or more markets. In addition, competent government authorities may expand consumers’ possibility to import lower priced versions of our future approved products, or competing products, from outside China or other jurisdictions where we operate. Any future legislation or regulations that increase consumer access to lower priced medicines from outside China or other jurisdictions where we operate could have a material adverse effect on our business.

Certain products distributed or sold in the pharmaceutical market may be deliberately or fraudulently mislabeled with respect to their sources and/or identities. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in emerging markets, may not be at an adequate level to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating our products. Since counterfeit pharmaceutical products in many cases have very similar appearances compared with the authentic pharmaceutical products but are generally sold at lower prices, counterfeits of our products can quickly erode the demand for our future approved drug candidates. Our reputation and business could suffer harm as a result of counterfeit pharmaceutical products sold under our brand name.

### **RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS**

**We may not be able to generate sufficient revenue from acquired technology to meet our objectives in undertaking the acquisition or even to offset the associated costs.**

We have acquired intellectual property rights in azvudine from Zhengzhou University and intellectual property rights in certain patents from Meitaibao relating to pipeline products including CL-197, dosimertinib and MTB-1806. Please see “Business—Our Technology Transfer Arrangements and Collaborations” in this document for detailed information on the terms and payment schedules of technology transfer arrangements. However, we may be unable to successfully develop and/or commercialize the relevant drug candidates nor generate sufficient revenue from acquired technology to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and development costs. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

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## RISK FACTORS

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**Our acquired patents and other intellectual property may be subject to priority disputes or inventorship disputes and similar proceedings.**

We or our transferors may be subject to claims that former employees, collaborators or other third parties have an interest in our owned patents or other intellectual property. If we or our transferors are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which we or they are subject, we may lose valuable intellectual property rights through the loss of one or more patents we owned or our owned patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we or our transferors are unsuccessful in any inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights, such as exclusive ownership of, or the exclusive right to use our owned patents. If we or our transferors are unsuccessful in any interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain acquisitions or licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. If we are unable to obtain and maintain the intellectual property rights we owned, we may need to cease the development, manufacture, and commercialization of one or more of our drug candidates. The loss of exclusivity or the narrowing of our owned patent claims could limit our ability to stop others from using or commercializing similar or identical drug products. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations, or prospects. Even if we are successful in an interference proceeding or other similar priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

**We may be unable to establish, protect or enforce our intellectual property rights adequately and, may be adversely affected.**

We seek to protect our drug candidates and technology that we consider commercially important by (i) filing patent applications in China and other jurisdictions; (ii) relying on trade secrets or pharmaceutical regulatory protection; or (iii) employing a combination of these methods.

The application for or issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability and does not guarantee that we will receive similar protections in other jurisdictions. For example, to be eligible to receive a patent under the PRC Patent Law, an organization or individual must have reported any patent filings made in a foreign jurisdiction for an invention, design or utility model to CNIPA, for confidential examination. Otherwise, the patent right will not be granted. In addition, publications of discoveries in scientific literature often lag behind the actual discoveries and patent applications. Further, under the first-to-file system, third parties may be granted a patent relating to a technology which we invented. 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.

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## RISK FACTORS

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In addition, we may not be able to protect all patentable aspects of our inventions. We may fail to identify patentable aspects of our inventions in time to obtain patent protection. Although we incorporate terms of non-disclosure and confidentiality in agreements or enter into separate non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our R&D output, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to obtain patent protection. In addition, patent rights that we may own currently or may own or in-license in the future may be subject to a reservation of rights by one or more third parties.

Although various extensions may be available, the life of a patent, and the protection it affords, is limited. Even if we successfully obtain patent protection for a drug candidate, it may face competition from generic or biosimilar medications once the patent has expired, as well as challenges to the scope, validity or enforceability of our patents. In addition, we will not be able to assert patent rights against potential competitors once those rights expire. 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.

Finally, the patent prosecution process and proceedings related to patent protection are expensive, time-consuming and complex and we may not be able to protect our inventions at a reasonable cost or in a timely manner in all desirable jurisdictions. Consequently, we do not know whether any of our technology for our drug candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

Any failure to adequately protect our intellectual property, including due to the foregoing, could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

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

We cannot guarantee that our drug candidates or any uses of our drug candidates do not and will not in the future infringe third-party patents or other intellectual property rights. It is also possible that we failed to identify, or may in the future fail to identify, relevant patents or patent applications held by third parties that cover our drug candidates. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our products or their use.

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## RISK FACTORS

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Third parties might allege that we are infringing their patent rights or trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, use or manufacture of the compounds we have developed or are developing. Such third parties might resort to litigation against us or other parties we have agreed to indemnify, which litigation could be based on either existing intellectual property or intellectual property that arises in the future.

In order to avoid or settle potential claims with respect to any patent or other intellectual property rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both, which could be substantial. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, if, as a result of any actual or threatened patent or other intellectual property claims, we are unable to enter into licenses on acceptable terms, we could be prevented from commercializing a future approved drug, or be forced, by court order or otherwise, to cease some or all aspects of our business operations. Further, we could be found liable for significant monetary damages as a result of claims of intellectual property infringement, including treble damages and attorneys' fees if we are found to willfully infringe a third party's patent.

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

Unfavorable outcomes in intellectual property litigation could limit our research and development activities and/or our ability to commercialize certain future approved drug, and intellectual property litigation may lead to unfavorable publicity which may harm our reputation. Even if litigation or other proceedings are resolved in our favor, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of our Shares. Such litigations or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities.

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## RISK FACTORS

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**We may not be successful in obtaining necessary rights for our development pipeline through acquisitions and licenses in the future.**

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

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

Despite measures we take to obtain and maintain patent and other intellectual property rights with respect to our drug candidates, our intellectual property rights could be challenged or invalidated. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our drug candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. In some jurisdictions, grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the applicable patent regulatory agency, or made a misleading statement, during prosecution. Although we believe that we have conducted our patent prosecution in accordance with a duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on a drug candidate. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may not be an adequate remedy. In addition, if the breadth or strength of protection provided by our patents is threatened, it could dissuade companies from collaborating with us to license, develop, or commercialize our current or future drug candidates. Any loss of patent protection could have a material adverse impact on one or more of our drug candidates and our business.



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## RISK FACTORS

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

**The absence of patent linkage, patent term extension and data and market exclusivity for pharmaceutical products could increase the risk of early generic competition with our products.**

In many jurisdictions, various policies on patent linkage, patent term adjustments and extensions, and data and market exclusivity may be available. In China, the PRC Patent Law, effective from June 1, 2021, provides a patent linkage system, pursuant to which the applicant for the marketing of a drug, the patent holder or an interested party over the patent rights related to the drug for which registration has been applied for, the parties concerned may file a lawsuit with the People’s Court, requesting for a judgment on whether or not the technical solution related to the drug for which registration has been applied for falls within the scope of protection of the others’ drug patent rights. The NMPA will decide whether to stay approval of such follow-on applications, on the basis of such a court judgment, if made and took effect within certain time period. On July 4, 2021, the NMPA and CNIPA issued Implementing Measures for the Early Settlement Mechanism for Drug Patent Disputes (for Trial Implementation) (《藥品專利糾紛早期解決機制實施辦法(試行)》). On the same day, the Supreme People’s Court of the PRC issued Provisions of Supreme People’s Court on Several Issues Concerning the Application of Law in the Hearing of Civil Cases Involving Disputes over Patent Rights Relating to Drugs under Application for Registration (《最高人民法院關於審理申請註冊的藥品相關的專利權糾紛民事案件適用法律若干問題的規定》), which became effective on July 5, 2021. However, relevant regulations are implemented for a relatively short period of time and therefore the enforcement of laws and regulations regarding the patent linkage system subject to change in China.

In China, there is no currently effective law or regulation providing drug trials data exclusivity (referred to as regulatory data protection). Although Implementation Rules for Drug Trials Data Protection (Trial) (Draft for Comments) (《藥品試驗數據保護實施辦法(暫行)(徵求意見稿)》) was published by the NMPA on April 25, 2018, no update has been reported on this legislation.



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## RISK FACTORS

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In view of the extension of the patent period and the fact that the patent linkage rules may be amended from time to time, and that the regulatory data protection requirements will need to be determined in accordance with the relevant laws and regulations in force at the time, a lower-cost generic drug may emerge much more quickly. If we are unable to obtain 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, financial condition, results of operations, and prospects could be materially harmed.

**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 advisors have wrongfully used or disclosed alleged trade secrets of their former employers or claims asserting ownership of what we regard as our own intellectual property.**

In addition to our patents and pending patent applications, we rely on trade secrets and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our drug candidates. We seek to protect our trade secrets and confidential information, in part, by incorporating terms of non-disclosure and confidentiality in our agreements or entering into separate non-disclosure agreements or confidentiality agreements with parties that have access to them, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisors or other third parties. We also enter into confidentiality or invention or patent assignment agreements with our employees, consultants and/or business partners. However, 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 secrets can be difficult, expensive and time-consuming, and the outcome is unpredictable.

Furthermore, some of our employees, consultants, and/or advisors, including our senior management, were previously employed at other biotech or pharmaceutical companies, including our competitors or potential competitors, and may have signed 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 have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's former employer. We are not aware of any threatened or pending claims related to these matters or concerning the agreements with our senior management, but in the future litigation may be required 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.

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## RISK FACTORS

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**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 competitive position may be adversely affected.**

We own registered trademarks and are currently registering trademarks. Moreover, as our products mature, our reliance on our trademarks to differentiate us from our competitors will increase. We may not be able to obtain trademark protection in jurisdictions that we consider of significant importance to us. In addition, any of our trademarks or trade names, whether registered or unregistered, may be challenged, opposed, infringed, cancelled, circumvented or declared generic, or determined to be infringing on other marks, as applicable. We may not be able to protect our rights to these trademarks and trade names, which we will need to build name recognition by potential collaborators or customers in our markets of interest. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected.

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

The National Intellectual Property Administration of the PRC or World Intellectual Property Organization and various patent offices require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the respective jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In addition, under the PRC law, certain filing procedures need to be conducted with relevant procedures with respect to license agreements for patents and technology, otherwise the terms of the license agreements may not be enforceable against a good faith third party. Any of the above events may harm our patent protection or rights under the license agreements, which would have a material adverse effect on our business.

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## RISK FACTORS

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### **Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our drug candidates.**

Laws and regulations governing patents may be amended from time to time, which will affect our ability to obtain new patents or enforce existing and potentially future patents. There may be a potential impact on our existing patents and future patent applications. These changes may affect the value of our patent rights or other intellectual property rights. Changes in either the patent laws or their interpretation in various countries, which in turn may increase the cost of patent litigation, may 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.

### **Intellectual property rights do not necessarily address all potential threats.**

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

- others may be able to make products that are similar to any drug candidates we may develop or utilize similar technology that are not covered by the claims of the patents that we own or license now or in the future;
- we, or our current or future collaborators, might not have been the first to make the inventions covered by the issued patent or pending patent application that we license or may own in the future;
- we, or our current or future collaborators, might not have been the first to file patent applications covering certain of our or their inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing, misappropriating or otherwise violating our owned or licensed intellectual property rights;
- it is possible that our pending internally developed patent applications or those that we may own in the future will not lead to issued patents;
- patents that may be issued from our pending patent applications that we hold rights to may be held invalid or unenforceable, including as a result of legal challenges by our competitors;
- our competitors might conduct R&D activities in jurisdictions where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we may not develop additional proprietary technologies that are patentable;

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## RISK FACTORS

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- the patents of others may harm our business; and
- we may choose not to file a patent for certain trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property.

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

### RISKS RELATING TO OUR RELATIONSHIP WITH THIRD PARTIES

**We engage third parties to conduct our preclinical studies and clinical trials and we must work effectively with collaborators to develop our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed. If we lose our relationships with our third parties, especially our CROs, our product or drug development efforts could be delayed.**

We have engaged, and plan to continue to engage third-party CROs for the execution of our preclinical studies and clinical trials and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements (including but not limited to international restrictions, such as sanctions) and scientific standards, and our relationship with the CROs does not relieve us of our regulatory responsibilities.

Switching or adding additional CROs involves additional cost and requires management’s time and focus. Identifying, qualifying and managing performance of third-party service providers can be difficult, time-consuming and cause delays in our R&D programs. In addition, there is a natural transition period when a new CRO commences work and the new CRO may not provide the same type or level of services as our original provider. If any of our relationships with our third-party CROs are terminated, we may not be able to enter into arrangements with alternative CROs timely or to do so on commercially reasonable terms, or to meet our desired clinical development timelines.

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 clinical and non-clinical programs. 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 if (i) CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines; (ii) they need to be replaced; or (iii) the quality or accuracy of the clinical data that they or our clinical investigators obtain is compromised due to failure to adhere to our clinical protocols, regulatory requirements or for other reasons. For example, the third parties on which we rely to assist are required to conduct our preclinical studies in accordance with GLP and the Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》). We, our CROs for our clinical programs, and our clinical investigators are also required to comply with GCPs, which

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## RISK FACTORS

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are regulations and guidelines enforced by the NMPA and other regulatory authorities, for our drugs in clinical development. Our pivotal clinical trials must be conducted with product produced under GMP regulations. If we or any of our CROs or clinical investigators fail to comply with these regulations, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA or other regulatory authorities may require us to perform additional or repeat clinical trials before approving our marketing applications, which would delay the regulatory approval process. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that such information will be misappropriated.

To the extent that we are unable to identify, retain and successfully manage the performance of third-party service providers in the future, our business may be adversely affected. Though we carefully manage our relationships with our CROs, 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 impact on our business, financial condition and prospects.

**We engage third parties to manufacture our clinical and initial commercial drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.**

We engage third parties for our manufacturing process and for the clinical supply of our drug candidates. During the Track Record Period, we engaged seven drug manufacturers in China, all of which are Independent Third Parties, to manufacture azvudine. Engagement of third-party manufacturers exposes us to the following risks:

- we may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the NMPA or other regulatory authorities must evaluate and/or approve any manufacturers as part of their regulatory oversight of our drug candidates;
- our third-party 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;
- manufacturers are subject to ongoing periodic unannounced inspection by the NMPA, and, if applicable, other regulatory authorities. We do not have control over third-party 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 our third-party manufacturers in the manufacturing process for our drug candidates;

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## RISK FACTORS

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- manufacturers may not properly obtain, protect, maintain, defend or enforce our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- manufacturers may infringe, misappropriate, or otherwise violate the patent, trade secret, or other intellectual property rights of third parties;
- manufacturers may terminate or may not renew our manufacturing agreement in a manner or at a time that is costly or damaging to us, including due to the time and expense related to transferring information to a replacement;
- raw materials and components used in the manufacturing process, particularly those for which we 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; and
- our contract manufacturers and critical reagent suppliers may be subject to inclement weather, pandemics, as well as natural or man-made disasters.

Each of these risks could delay or prevent the completion of our clinical trials or the approval of any of our drug candidates, and result in higher costs or adversely impact commercialization of our products. In addition, we may rely on 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 us until deficiencies are remedied.

### **Third-party manufacturers may fail to comply with manufacturing regulations.**

Before a third-party manufacturer can begin commercial manufacturing of our drug candidates, it is subject to regulatory inspections of its manufacturing facilities, processes and quality systems. Due to the complexity of the processes used to manufacture our drug candidates, any potential third-party manufacturer may be unable to initially pass national or international regulatory inspections in a cost effective manner in order for us to maintain or obtain regulatory approval of our drug candidates. If our contract manufacturers do not pass their inspections by the NMPA or other regulatory authorities and/or fail to comply with GMPs, our commercial supply of drug product or substance will be significantly delayed and may result in significant additional costs, including the delay of the commercialization of our drug and the delay or denial of any marketing application for our drug candidates. In addition, contract manufacturers' failure to achieve and maintain high manufacturing standards in accordance with applicable regulatory requirements, or the incidence of manufacturing errors, could result in patient injury, product liability claims, product shortages, product recalls or withdrawals, delays or failures in product testing or delivery, cost overruns or other problems that could seriously harm our business. If a third-party manufacturer with whom we contract

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is unable to comply with manufacturing regulations, we may also be subject to fines, unanticipated compliance expenses, recall or seizure of our drugs, product liability claims, total or partial suspension of production and/or enforcement actions, including injunctions, and criminal or civil prosecution. These possible sanctions could materially adversely affect our financial results and financial condition.

Furthermore, changes in the manufacturing process or procedure, including a change in the location where the product is manufactured or a change of a third-party manufacturer, could require prior review by the NMPA or other regulatory authorities and/or approval of the manufacturing process and procedures in accordance with the NMPA or comparable requirements. This review may be costly and time-consuming and could delay or prevent the launch of a product. The new facility will also be subject to pre-approval inspection. In addition, we have to demonstrate that the product made at the new facility is equivalent to the product made at the former facility by physical and chemical methods, which are costly and time-consuming. It is also possible that the NMPA or other regulatory authorities may require clinical trial as a way to prove equivalency, which would result in additional costs and delay.

Any failure by our third-party manufacturers to comply with GMP or failure to scale up manufacturing processes, including any failure to deliver sufficient quantities of drug candidates in a timely manner, could lead to a delay in, or failure to maintain or obtain, regulatory approval of any of our drug candidates, or result in inability to meet our commercial or clinical trial demand. In addition, such failure could be the basis for the regulatory authorities to issue a warning or untitled letter, withdraw approvals for products previously granted to us, or take other regulatory or legal action, including recall or seizure, total or partial suspension of production, suspension of ongoing clinical trials, refusal to approve pending applications or supplemental applications, detention of products, refusal to permit the import of products, injunction, imposing civil penalties or pursuing criminal prosecution.

**We have entered into collaborations, partnerships and technology transfer agreements, and may form or seek other collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not fully realize the benefits of such alliances or licensing arrangements.**

We have engaged in a number of collaborative R&D programs with universities and research institutions in China for R&D collaboration. We may continue to explore a variety of possible strategic collaborations or licenses in an effort to gain access to additional drug candidates, technologies or resources. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing Shareholders, or disrupt our management and business.

We face significant competition in seeking appropriate strategic partners and the negotiation process, which 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 some of them may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our drug candidates as



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having the requisite potential to demonstrate safety and efficacy or commercial viability. For any drug candidates that we may seek to in-license from third parties, we may face significant competition from other pharmaceutical or biotech companies with more abundant resources or better capabilities than us, and any agreement that we do enter into may not result in the anticipated benefits.

Further, we may not be able to fully realize the benefit of or choose to exercise any options under current or future collaborations, strategic partnerships or the acquisition or license of our third-party drugs if we are unable to successfully integrate such products with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a drug candidate, reduce or delay our R&D program or one or more of our other R&D programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our drug candidates or bring them to market and generate product sales revenue, which would harm our business prospects, financial condition and results of operations.

### **We cannot guarantee we can achieve the expected sales goal through our collaboration with CSOs.**

We have engaged external partners such as CSOs to leverage their sales and marketing expertise and well-established networks and resources. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that they will have effective sales forces. Revenue we receive will depend upon the efforts of such third parties. We would have little or no control over the marketing and sales efforts of such third parties, and our revenue from such product sales may be lower than if we had commercialized our drug candidates ourselves. We will also face competition in our search for third parties to assist us with the sales and marketing efforts for our drug candidates.

## **RISKS RELATING TO OUR INDUSTRY AND BUSINESS OPERATIONS**

### **We are subject to the risks of doing business globally.**

Our business is subject to constantly changing international economic, regulatory, social and political conditions and local conditions in foreign jurisdictions and regions. There can be no assurance that potential collaboration partners in those foreign jurisdictions and regions will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between various countries. For example, the military conflicts in Eastern Europe have led to significant volatility in the global capital markets and on the global



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economy. The impact of such geo-political conflicts on the global economy is still unclear. Our business, results of operations, financial condition and prospects may be materially and adversely affected by such geo-political conflicts and changes in global macro-economic environment.

**We face intense competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than we do.**

We operate in a rapidly changing and time-sensitive environment, and the development and commercialization of innovative drugs is highly competitive. We are also facing increasing competition from global and China-based pharmaceutical and biotech companies that market or will market products in direct competition with our drug and drug candidates.

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

Some of our competitors have better resources and expertise than us. 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. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available. If more effective or easier to administer treatments are developed for the same indications as our products, or if there is a perception that our products do not provide incremental benefits over existing products, we may be unable to commercialize, or may not obtain satisfactory return in the sales of our drugs.

**If we engage in acquisitions or strategic partnerships, such arrangements may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and 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, such as increased operating expenses and cash requirements and our inability to generate sufficient revenue from acquired technology and/or products to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

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## RISK FACTORS

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The implementation of our M&A activities is subject to applicable regulations and rules, and compliance with the requirements of the relevant regulations and rules could be time-consuming, and any required approval and filing processes may delay or inhibit our ability to complete such transactions. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

### **We are subject to heightened sanction compliance risks as a result of our R&D activities in Russia.**

The United States and other jurisdictions or organizations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose sanctions, including economic sanctions, against certain countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries. Russia, as well as certain industry sectors and other persons located in Russia, are subject to various sanctions programs administered by, among others, the United States and the European Union.

We authorized Beijing Union to submit an IND application to the Ministry of Health of the Russian Federation (Russian MoH) for initiating a Phase III clinical trial of azvudine for treating COVID-19 in Russia and received approval in January 2021. The Phase III clinical trial in Russia was completed in November 2022 and Beijing Union as the MAH received marketing authorization for azvudine from the Russian MoH in February 2023. We had not derived any revenue from Beijing Union under such collaborative arrangement from Russia and had not initiated and had no intention to initiate any clinical trials in Ukraine as of the Latest Practicable Date. We have also implemented internal control measures to minimize our risk exposure to international sanctions, we cannot assure you that these internal control measures would always be able to effectively eliminate all risk exposure to the international sanctions, sanctions laws and regulations. Sanctions laws and regulations are subject to change, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected, and in particular we may be subject to penalties, if the authorities of United States, the European Union, the United Nations, Australia or any other jurisdictions were to determine that any future activities of our Group and/or our business partners, such as CROs, constitute a violation of the sanctions they impose or provides a basis for a sanction designation of our Group.

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## RISK FACTORS

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**We may out-license some of our commercialization rights and engage in other forms of collaboration worldwide, including conducting clinical trials abroad, we may be exposed to specific risks of conducting our business and operations in international markets.**

Global markets are an important component of our growth strategy. If we fail to obtain or grant licenses or enter into collaboration arrangements with third parties in other markets, or if an existing or future third-party collaboration 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 and marketing and distribution efforts may increase our expenses or divert our management’s attention from the acquisition or development of drug candidates;
- unexpected changes in laws and regulatory requirements and difficulty of effective enforcement of contractual provisions in local jurisdictions;
- inadequate intellectual property protection;
- unexpected changes in or imposition of trade restrictions, such as tariffs, sanctions or other trade controls, and similar regulatory requirements;
- economic weakness, including inflation and currency fluctuations;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable foreign tax structures and potentially adverse tax consequences;
- workforce uncertainty and labor unrest;
- business interruptions resulting from geo-political actions and cultural climate or economic condition, including war and acts of terrorism, natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires, or the impact of public health pandemics or epidemics.

These and other risks may materially adversely affect our ability to conduct our business and operations in international markets.

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## RISK FACTORS

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**Our risk management and internal control systems, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.**

We have established risk management and internal control systems consisting of relevant organizational frameworks, policies, procedures and risk management methods in order to manage our risk exposure, primarily including market risk, credit risk, liquidity risk, operational risk, compliance risk and legal risk, and we expect to continue to improve such risk management and internal control systems from time to time. However, our risk management and internal control systems may not be fully effective in mitigating our risk exposure in all market environments or against all types of risks, including risks that are unidentified or unanticipated.

In addition, we will become a public company upon the [REDACTED], and our internal controls will be essential to the integrity of our business and financial results. Our public reporting obligations are expected to place a strain on our management, operational and financial resources and systems in the foreseeable future. If we encounter difficulties in improving our internal controls and management information systems, we may incur additional costs and management time in meeting our improvement goals. We cannot assure you that the measures taken to improve our internal controls will be effective. If we fail to maintain effective internal controls in the future, our business, financial condition, results of operations and reputation may be materially and adversely affected.

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

**Our internal computer systems, or those used by our CROs, CMOs, CSOs, collaboration partners or other contractors or consultants, may fail or suffer security breaches.**

Despite the implementation of security measures, our internal computer systems and those of our CROs, CMOs, CSOs, collaboration partners and other contractors and consultants are vulnerable to damage from computer viruses and unauthorized access. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our R&D programs and our business operations.

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## RISK FACTORS

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We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information systems and networks of our Company and our vendors, including personal information of our employees and patients, and company and vendor confidential data. We are also reliant on our employees to protect information systems and networks and we provide training and implement security measures to mitigate such risks. If a material breach of our information technology systems or those of our vendors occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks.

In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices, which could result in fines, increased costs or loss of revenue. We could incur liability, our competitive position could be harmed and the further development and commercialization of our drug candidates could be delayed.

**Our future success depends in part on our ability to retain key executives and to attract, train, retain and motivate qualified and skilled personnel.**

We depend on the continued contributions of our directors, senior management (particularly the executive officers, listed in the section of this document headed “Directors and Senior Management”) and other key employees, many of whom may be difficult to replace. Replacing executives, scientific employees and other qualified personnel could be difficult and could take a long time because of the limited number of individuals in our industry with the skills and experience necessary to successfully develop, obtain regulatory approval for, and commercialize products similar to those we develop. The loss of the services provided by any of our top executives or other key employees could prevent us from achieving our research and development and commercialization goals.

To retain valuable employees, in addition to salary and cash incentives, we may provide 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 market price of our Shares that are beyond our control and may, at any time, be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, any of our employees could leave our employment at any time, with or without notice.

Our future success depends on our ability to attract a sufficient number of qualified employees and retain our existing key employees, in particular our drug development and technical professionals. We believe that competition for skilled management, technical, sales and other personnel with industry experience is intense and will continue to be so. We need to significantly increase the number of qualified employees and retain key employees, which may result in a substantial increase in our compensation-related costs, including share-based compensation. We must offer competitive compensation packages and a good working environment in order to hire, retain and motivate employees. Should we fail to retain and motivate existing employees and attract qualified personnel, such failure could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

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## RISK FACTORS

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**We do not own any real property and may incur substantial relocation expenses if any lease for our offices is not renewed upon its expiration or is terminated.**

As of the Latest Practicable Date, we had leased 10 properties in China for daily business operations, R&D and in preparation of future in-house manufacturing. As of the same date, we had six leased properties in Shenzhen where the actual use did not conform to the intended use as recorded in the property ownership certificate. During the Track Record Period and up to the Latest Practicable Date, we experienced certain incidents in relation to our leased properties where our lessor failed to complete certain relevant construction procedures prior to commencing operations, which may also expose us to the risks of relocation. Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of the properties, could cause the lease agreements to be terminated and require us to relocate our offices occupying these properties. If we cannot continue to use any of our leased property, we may need to seek an alternative location and incur substantial expenses related to such relocation.

Further, as of the Latest Practicable Date, seven of our lease agreements were not registered with the relevant municipal land and real estate administration department in accordance with applicable PRC laws and regulations. As registration of the lease agreement will require the cooperation of the landlord, we cannot assure you that we can complete the registration of such lease agreement in a timely manner or at all. If we fail to complete the registration within the prescribed time frame as required by competent municipal land and real estate administration departments in the PRC, a maximum penalty of RMB10,000 may be imposed for each non-registered lease. Please see “Business—Properties and Facilities” in this document for details.

**Our employees, CROs, CMOs, CSOs, collaboration partners and others with whom we deal may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and applicable anti-bribery laws, which could harm our reputation and subject us to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.**

We are exposed to the risk of fraud, misconduct or other illegal activity by our employees, CROs, CMOs, CSOs, collaboration partners and others with whom we deal. Misconduct by these parties could include intentional, reckless and negligent conduct that fails to: (i) comply with the laws of the NMPA and other regulatory authorities; (ii) provide true, complete and accurate information to the NMPA and other regulatory authorities; (iii) comply with manufacturing standards we have established; (iv) comply with healthcare fraud and abuse laws in China, and other jurisdictions and similar fraudulent misconduct laws applicable to us; or (v) report financial information or data accurately or to disclose unauthorized activities to us. If we obtain NMPA approval for any of our drug candidates and begin commercializing those drugs in China or other jurisdictions, our potential exposure under applicable laws will increase significantly and our costs associated with compliance with such laws are also likely

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to increase. These laws may impact, among other things, our current activities with principal investigators of our clinical trials and our use of information obtained in the course of patient recruitment for clinical trials, as well as proposed and future sales, and marketing programs.

It is not always possible to identify and deter misconduct by employees and other parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses, or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

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

**If we or our CROs, CMOs, CSOs or other contractors or consultants fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.**

We and third parties, such as our CROs, CMOs, CSOs or other contractors or consultants, are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory and manufacturing procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable chemical materials. Our operations may also produce hazardous waste products. For any potential hazardous waste we produce, we engage third parties for the disposal of such hazardous materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.



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We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage, use or disposal of biological, hazardous or radioactive materials. In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may affect our research, development, production or commercialization efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

**Failure to comply with existing or future laws and regulations related to privacy or data security could lead to government enforcement actions, which could include civil or criminal fines or penalties, private litigation, other liabilities, and/or adverse publicity. Compliance or the failure to comply with such laws could increase the costs of our products and services, could limit their use or adoption, and could otherwise negatively affect our operating results and business.**

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of personal information worldwide is rapidly evolving and is likely to change from time to time for the foreseeable future. Regulatory authorities in virtually every jurisdiction in which we operate have implemented and may be constantly introducing a number of legislative and regulatory proposals concerning personal data protection. There are numerous laws in the jurisdictions in which we operate that protect the confidentiality of individually identifiable patient health information, including patient records, and restricting the use and disclosure of that protected information.

The Standing Committee of the NPC promulgated the Personal Information Protection Law (《個人信息保護法》), which became effective on November 1, 2021, sets forth detailed rules on handling personal information and legal responsibilities and also strengthen the punishment for illegal process of personal information.

The Regulation of the People’s Republic of China on the Administration of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》) promulgated by the State Council on May 28, 2019 and amended on March 10, 2024 stipulates that in order to obtain marketing authorization for relevant drugs and medical devices in China, no approval is required in international clinical trial cooperation using China’s human genetic resources, or HGR, at clinical institutions without export of HGR materials. These regulations are important to our business because all transfers of patient starting material from hospitals to labs must be reported to the relevant administrative departments under these provisions.

The Data Security Law of the PRC (《中華人民共和國數據安全法》) which has taken effect on September 1, 2021, provides that relevant authorities will establish the measures for the cross-border transfer of import data, if any company violates the Data Security Law of the PRC to provide important data outside China, such company may be punished by administration sanctions, including order to correct, warning, fines, and/or may order to suspension of relevant business or revocation of the business license. On July 7, 2022, the Outbound Data Transfer Security Assessment Measures (the “Outbound Data Transfer Security



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Assessment Measures”) (《數據出境安全評估辦法》) was published and become effective on September 1, 2022, which specifies that data processors who intend to provide important data and personal information that are collected and generated in the operation within the territory of the PRC to overseas shall be subject to security assessment. The Outbound Data Transfer Security Assessment Measures further stipulate the process and requirements for the security assessment. We may be subject to such outbound data security assessment, and will closely monitor and assess any relevant legislative and regulatory development, prepare for a security assessment when necessary.

Compliance with these and any other applicable laws, regulations, standards and obligations relating to data privacy, security and transfers is a rigorous and time-intensive process and may cause us to incur substantial operational costs or require us to modify our data processing practices and processes. If we or our third-party vendors, collaborators, contractors and consultants fail to comply with any such laws or regulations, we may face proceedings against us by data protection authorities, governmental entities or others, including class action privacy litigation in certain jurisdictions, which would subject us to significant awards, fines, penalties, judgments, negative publicity and reputational damage, and may otherwise materially and adversely affect our business, financial condition and results of operations.

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

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules, which replaced the earlier rules promulgated by SAFE in March 2007 and January 2008. Under the Stock Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a domestic companies of such overseas publicly listed company by collectively appointing a PRC agency institution, to register with SAFE and complete certain other procedures. Such participants must also retain a offshore institution to be responsible for the unified processing in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees will be subject to the Stock Option Rules upon completion of the [REDACTED]. Failure of the PRC resident holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to distribute dividends to us, or otherwise materially adversely affect our business.

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**We face potential liabilities, in particular, product liability claims or lawsuits could cause us to incur substantial liabilities.**

We face an inherent risk of product liability as a result of the clinical trial and any future commercialization of our drug candidates inside and outside China, subject to limited immunity that we may seek in connection with some of our drug candidates. 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 trial, manufacturing or commercialization. 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 or obtain indemnification from our collaborators for product liability 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.

**Any future litigation, legal disputes, claims or administrative proceedings against us could be costly and time-consuming to defend.**

We may become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activities. Litigation to which we 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 loss, the monetary amount at stake and the parties involved.

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

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We maintain different types of insurance policies, such as personal accident insurance and clinical trials liability insurance. Our insurance coverage may be insufficient to cover any claim for product liability or damage to our fixed assets. 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.

Our insurance might not adequately cover claims brought against us, or at all and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification arrangement we have with our collaborators, our collaborators do not abide by the indemnification arrangement as required, or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our financial condition, results of operations or reputation.

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## RISK FACTORS

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**Our facilities and the facilities of our collaborators may be vulnerable to natural disasters or other unforeseen catastrophic events.**

Our operations, and those of our CROs, CMOs, CSOs and other contractors and consultants, could be subject to earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, public health pandemics or epidemics, and other natural or man-made disasters or business interruptions. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. Our ability to develop our drug candidates could be disrupted if our operations or those of our suppliers are affected by man-made or natural disasters or other business interruptions.

**Negative publicity with respect to us, our Shareholders, our management, employees, business partners, affiliates, or our industry, may adversely affect our reputation, business and growth prospect.**

We, our Shareholders, our management, employees, business partners, affiliates, or our industry may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our Shareholders, our management, employees, business partners and affiliates were non-compliant with any laws or regulations or became 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, and may not be able to diffuse them to the satisfaction of our investors and customers.

**Any failure to comply housing provident fund or the mandatory social insurance may subject us to fines and other legal or administrative sanctions.**

According to the Social Insurance Law (《中華人民共和國社會保險法》) implemented on December 29, 2018, the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) implemented on March 24, 2019 and other applicable PRC regulations, any employer operating in China must apply for registration for payment and deposit of the social insurance and housing provident fund, and contribute social insurance premium and pay housing provident contribution for its employees. Any failure to make timely registration of social insurance premium or housing provident fund for its employees may trigger an order of correction from competent authority requiring the employer to register within a specified period of time and may impose fines if the employer fails to do so. As of December 31, 2023 and 2024, we engaged third-party agents to make the payment of social insurance and housing provident fund on behalf of us for 17 and 16 employees, respectively. As of the Latest Practicable Date, we had not received any order of correction from the competent authority and

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also had not received any complaint or labor arbitration application from any of our employees, in each case as a result of any such arrangement. However, we cannot assure you that the competent authority will not require us to rectify any non-compliance or to pay any penalty related thereto.

**Changes in the political and economic policies may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.**

Due to our extensive operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be affected by government normative management over capital investments or changes in tax regulations that are currently applicable to us.

**The interpretation and enforcement of PRC laws, rules and regulations need to be determined in accordance with the relevant laws and regulations in effect at that time.**

A substantial portion of our operations are conducted in China through our PRC subsidiaries, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China, and the interpretation and enforcement of these laws, rules and regulations subject to adjustments and refinements.

The Foreign Investment Law came into effect January 1, 2020. The Foreign Investment Law may materially impact our current corporate governance practices and business operations in many aspects and may increase our compliance costs. For instance, the Foreign Investment Law imposes foreign investment information report requirements on foreign investors and the applicable foreign invested entities.

Additionally, the NMPA’s recent reforms of the drug approval system. The timing and full impact of such reforms will need to be determined in accordance with the relevant laws and regulations in effect at that time, and we may not be able to commercialize our drug candidates in a timely manner.

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Any administrative and court proceedings may be protracted, resulting in substantial costs and diversion of resources and management attention. These factors may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

**System on currency exchange may limit our ability to utilize our future revenue effectively.**

Certain Regulations on the convertibility of RMB into foreign currencies and remittance of funds from China to foreign countries. A portion of our future revenue will be denominated in RMB. Our inability to obtain sufficient foreign currency could have an impact on the ability of our PRC subsidiaries to remit foreign currency to our foreign entities and to make dividend or other payments to our foreign entities, or to repay obligations denominated in foreign currencies. The RMB is currently convertible under the “current account”, which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and foreign currency debt, including loans we may secure for our onshore subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of “current account transactions” without the approval of SAFE by complying with certain procedural requirements. However, based on possible changes in regulations from time to time, PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a portion of our revenue is denominated in RMB, any existing and future normative management on currency exchange may impact our ability to utilize revenue generated in RMB to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares.

**System of currency conversion of and regulations on loans to, and direct investment in, PRC entities by offshore holding companies may delay us from making loans or additional contributions to our PRC subsidiaries, which could impact our ability to utilize the [REDACTED] from the [REDACTED] effectively and affect our ability to fund and expand our business.**

The PRC has regulations governing the conversion of foreign currencies into Renminbi. Under China’s existing foreign-exchange regulations, foreign-exchange transactions under capital accounts continue to be subject to normative management. In particular, if one subsidiary receives foreign-currency loans from us or other foreign lenders, these loans must be registered with SAFE or its local counterparts. If we finance such subsidiary by means of additional capital contributions, these capital contributions must be filed with or approved by certain government authorities, including the Ministry of Commerce or its local counterparts.

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SAFE promulgated the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, effective in June 2015 and amended in December 2019. According to SAFE Circular 19, the flow and use of RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, unless the scope of business license, the repayment of inter-enterprise loans or the repayment of RMB banks loans that have been transferred to a third party. SAFE promulgated the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, effective on June 9, 2016 and amended on December 4, 2023, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises, unless the scope of business license. SAFE promulgated the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, effective on October 23, 2019 and amended on December 4, 2023. Pursuant to SAFE Circular 28, foreign invested enterprise engaged in non-investment business are further permitted to use RMB converted from foreign currency-denominated capital for equity investments in China on the condition that the domestic investment is genuine compliance, does not violate the current negative list on foreign investment. Considering that these circulars are relatively new, it is unclear how they will be implemented, and there exist and other interpretations and implementation by the regulatory agencies will be determined in accordance with the relevant laws and regulations in force at the time.

Violations of SAFE Circular 19, SAFE Circular 16 and SAFE Circular 28 could result in severe monetary or other penalties. We cannot assure you that we will be able to complete the necessary registrations or obtain the approvals on a timely basis, if at all, with respect to future loans or capital contributions to our PRC subsidiaries and conversion of such loans or capital contributions into Renminbi. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business.

**Any failure by the Shareholders or beneficial owners of our Shares who are PRC residents to comply with certain PRC Foreign Exchange Regulations relating to offshore investment activities by such PRC residents could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.**

The SAFE has promulgated several regulations requiring PRC residents to register procedures before engaging in direct or indirect offshore investment activities, including Circular on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents Conducting Overseas Investment and Financing and Round-Trip Investments Through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投



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## RISK FACTORS

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融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a “special purpose vehicle”. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC subsidiaries of the special purpose vehicle under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Circular 13, which came into effect on June 1, 2015 and was amended on December 30, 2019, pursuant to which, local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branch(es) of SAFE.

We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and regulations, however, we may not always be able to compel our Shareholders to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with SAFE Circular 37 may result in restrictions on the foreign exchange activities of our PRC subsidiaries and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

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## RISK FACTORS

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**It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.**

Our operating subsidiaries are incorporated in China. Some of our management reside in China from time to time. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of some other jurisdictions.

On July 14, 2006, Hong Kong and China Mainland entered into the Arrangement of the Supreme People’s Court between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction. Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Mainland. Similarly, a party with a final judgment rendered by a Mainland court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. 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 China court is expressly designated as the court having exclusive jurisdiction for the dispute. The Supreme People’s Court and the Hong Kong 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 (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the New Arrangement, effective in January 2024, 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 and the Mainland. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other western jurisdictions or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.



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## RISK FACTORS

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

We are a holding company incorporated in the Cayman Islands, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our Shareholders or to service any debt we may incur. If any of our PRC subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund, or a staff welfare and bonus fund. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in China, up to the amount of net assets held in each operating subsidiary.

People’s Bank of China, or PBOC, and the SAFE promulgated a series of measures, including strict vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments. More restrictions and substantial vetting process may be put forward by the SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends to our investors or other obligations to our suppliers, or otherwise fund and conduct our business.

**Any future dividend income from our PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.**

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-PRC resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

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Pursuant to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income, or the Hong Kong Tax Treaty (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the withholding tax rate on dividends paid by our PRC subsidiary to our Hong Kong subsidiary would generally be reduced to 5%, provided that our Hong Kong subsidiary is the beneficial owner of the PRC-sourced income and we have obtained the approval of the competent tax authority. On February 3, 2018, the State Administration of Taxation issued the Announcement on Certain Issues Concerning the Beneficial Owners in a Tax Agreement (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), or Circular 9, which provides guidance for determining whether a resident of a contracting state is the “beneficial owner” of an item of income under China’s tax treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner. There is no assurance that the reduced withholding tax rate will be available.

**We face possible changes to PRC laws and regulations relating to transfers by a non-resident enterprise of assets of a PRC resident enterprise.**

On February 3, 2015, the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Circular 7, amended on December 29, 2017, which provides comprehensive guidelines relating to, and heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

Late payment of applicable tax will subject the transferor to default interest. Gains derived from the sale of shares by investors are not subject to the PRC enterprise income tax pursuant to Circular 7 where such shares were acquired in a transaction through a public stock exchange. However, the sale of ordinary shares by a non-PRC resident enterprise outside a public stock exchange may be subject to PRC enterprise income tax under Circular 7.

The application of Circular 7 will be determined in accordance with the applicable laws and regulations in force at the time. Circular 7 may be determined by the tax authorities to be applicable to the sale of the shares of our offshore subsidiaries or investments where PRC Taxable Assets are involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Circular 7 or to establish that we and our non-resident enterprises should not be taxed under Circular 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have an adverse effect on our financial condition and results of operations.

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The PRC tax authorities have the discretion under Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Circular 7, our income tax costs associated with such potential acquisitions or disposals will increase, which may have an adverse effect on our financial condition and results of operations.

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

Under the EIT Law, an enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise”, meaning that it will be treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. Under the Circular on Issues Relating to Identification of PRC-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the De Facto Standards of Organizational Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), issued and amended by the PRC State Administration of Taxation on April 22, 2009 and December 29, 2017, respectively, or Circular 82, dividends and other distributions paid by resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when received or recognized by non-PRC resident enterprise shareholders. The implementing rules of the EIT Law define “de facto management bodies” as “management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. In addition, Circular 82 specifies that certain China-invested enterprises controlled by Chinese enterprises or Chinese group enterprises will be classified as resident enterprises if the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management operation; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and archives of minutes of board meetings and shareholders’ meetings; and (iv) half or more of senior management or directors having voting rights. On July 27, 2011, the PRC State Administration of Taxation issued Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or Bulletin 45, which became effective on September 1, 2011 and was amended on June 15, 2018, to further clarify certain issues related to determining PRC resident enterprise status, including which the competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration.

Currently, some of the members of our management team as well as the management team of some of our offshore holding companies are located in China. However, Circular 82 and Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign corporations like us. Without further issuing the detailed implementation regulations or other guidance determining that offshore companies controlled by PRC individuals or foreign corporations like us are PRC resident enterprises, we do not currently consider our Company or any of our overseas subsidiaries to be a PRC resident enterprise.

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Despite the foregoing, the SAT may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. Additional implementing regulations or guidance may be issued determining that our Cayman Islands holding company is a “resident enterprise” for PRC enterprise income tax purposes. If the PRC tax authorities determine that our Cayman Islands holding company is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we and our non-PRC subsidiaries may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules and Bulletin 45, dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by a PRC enterprise or enterprise group would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiaries to us will not be subject to a 10% withholding tax, as the PRC foreign-exchange control authorities and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by a PRC enterprise or enterprise group like us. Finally, the EIT Law and its implementing rules issued by PRC tax authorities provide that dividends paid by us to our non-PRC shareholders and, while less clear, capital gains recognized by them with respect to the sale of our Shares may be subject to tax of 10% for non-PRC resident enterprise shareholders and 20% for non-PRC resident individual shareholders. In the case of dividend payments, such PRC tax may be withheld at the source.

### **Certain regulations may make it more difficult for us to pursue growth through acquisitions.**

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, established additional procedures and requirements that could make merger and acquisition activities by foreign investors time-consuming and complex. Such regulation requires, among other things, that the Ministry of Commerce, or MOFCOM, be notified in advance of any change of control transaction in which a foreign investor acquires control of a PRC domestic enterprise and involves any of the following circumstances: (i) any important industry is concerned; (ii) such transaction involves factors that impact or may impact national economic security; or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, pursuant to the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the Standing Committee of NPC which became effective in 2008 and was amended on June 24, 2022 and the Provisions 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》) promulgated by the State Council which became effective in 2008 and was recently amended in January 2024, 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 notified in advance to the anti-monopoly enforcement agency of the State Council when the applicable threshold is crossed and such

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concentration shall not be implemented without the clearance of prior notification. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the Security Review Rules, issued by the MOFCOM specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review by structuring the transaction through, among other things, trusts, entrustment or contractual control arrangements. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time-consuming and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to such security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially adversely affected.

### **RISKS RELATING TO THE [REDACTED]**

**No public market currently exists for our Shares; an active trading market for our Shares may not develop and the market price for our Shares may decline or become volatile.**

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

**The price and trading volume of our Shares may be volatile, which could lead to substantial losses to investors.**

The price and trading volume of our 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 market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business

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reasons, such as the results of clinical trials of our drug candidates, the results of our applications for approval of our drug candidates, regulatory developments affecting the biotech and pharmaceutical industries, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past and it is possible that our Shares may be subject to changes in price not directly related to our performance.

**There will be a gap of several days between [REDACTED] of our Shares and the [REDACTED] of our Shares when [REDACTED] begins could be lower than the [REDACTED].**

The [REDACTED] to the public of our Shares sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the Shares will not commence [REDACTED] the Stock Exchange until they are delivered, which is expected to be [five] business days after the [REDACTED]. As a result, investors may not be able [REDACTED] or otherwise [REDACTED] the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the [REDACTED] of the Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time [REDACTED] and the time [REDACTED] begins.

**The interests of our Controlling Shareholders may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders.**

Immediately following the completion of the [REDACTED] and the [REDACTED], our Controlling Shareholders will control approximately [REDACTED]% of the total issued share capital (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]). Accordingly, our Controlling Shareholders will, for the foreseeable future, through their voting rights control, be able to exercise substantial influence over our operations and business strategy, such as matters related to the composition of our Board of Directors, selection of our senior management, amount and timing of dividends and other distributions, our overall strategic and investment decisions, issuance of securities and adjustment to our capital structure, amendment to our Memorandum and Articles of Association, and other corporate actions requiring approval of our Shareholders, including merger, consolidation or sale of our assets, or any other change of control event that may affect our other Shareholders generally. Such voting rights control may discourage certain types of transactions, including those involving an actual or potential change of control of our Company. In the event that there is a divergence of our strategic and other interests from those of our Controlling Shareholders in the future, our Controlling Shareholders may exercise control over our Company in ways that conflict with the interests of our other Shareholders, and minority Shareholders could be disadvantaged.



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## RISK FACTORS

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**You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the Share Incentive Schemes.**

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider [REDACTED] and [REDACTED] additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time. The total number of Shares issuable under any share scheme of our Group shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the [REDACTED].

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

We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate to pay cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our 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 (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Directors. Accordingly, the return on your investment in our Shares likely will depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [REDACTED] or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

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

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

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## RISK FACTORS

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As a result of all of the above, minority Shareholders when protecting their interests through actions against our management, Directors or controlling Shareholders under the laws of the Cayman Islands will have different remedies available to them under Cayman law when compared to the laws of the jurisdiction which such Shareholders are located in.

**Facts, forecasts and statistics in this document relating to the biotech and pharmaceutical industries may not be fully reliable.**

Facts, forecasts and statistics in this document, particularly the sections headed “Business” and “Industry Overview,” contain certain information relating to the biotech and pharmaceutical industries, the market and current events in and outside China are obtained from various sources that we believe are reliable, including official government publications, third-party reports, other publicly available sources, as well as a report prepared by Frost & Sullivan that we commissioned. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. Neither we, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of the [REDACTED] nor our, its or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this document relating to the biotech and pharmaceutical industries, the respective markets and current events in and outside China may be inaccurate and you should not place undue reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risks and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

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

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



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**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS  
UNDER THE LISTING RULES AND EXEMPTION FROM THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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In preparation for the [REDACTED], our Group has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the relevant provisions of Companies (Winding Up and Miscellaneous Provisions) Ordinance:

**MANAGEMENT PRESENCE IN HONG KONG**

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances at least two of the issuer’s executive directors must be ordinarily resident in Hong Kong.

Since all our business operations are not principally located, managed or conducted in Hong Kong, we do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that, as our headquarters, principal business operations and assets are located in the PRC, our management is best able to attend to its function by being based in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, Dr. Du, chairman of our Board, executive Director, chief executive officer and chief scientific officer, and Ms. Leung Wai Yan (“**Ms. Leung**”), our company secretary, who will act as our Company’s principal channel of communication with the Stock Exchange. Ms. Leung is ordinarily resident in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, fax and/or email (where available). Each of our authorized representatives is authorized to communicate on our behalf with the Stock Exchange. Our Company has been registered under Part 16 of the Companies Ordinance and Ms. Leung has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;
- (b) both of our authorized representatives have means to contact all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. 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 meet with the Stock Exchange within a reasonable period of time, when required. Each of our Directors has provided his/her mobile phone number, fax number and/or email address (where available) to our authorized representatives. In the event that a Director expects to

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**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS  
UNDER THE LISTING RULES AND EXEMPTION FROM THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone. Each of our Directors and authorized representatives has provided his/her mobile number, office phone number, fax number and/or email address (where available) to the Stock Exchange;

- (c) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**"), which shall have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and
- (d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame. Our Company will promptly inform the Stock Exchange of any changes of our authorized representatives and/or our Compliance Advisor.

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

According to section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document shall include the matters specified in Part I of the Third Schedule thereto and the reports specified in Part II of the Third Schedule thereto.

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

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

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the

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**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS  
UNDER THE LISTING RULES AND EXEMPTION FROM THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

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

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

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

- (a) our Company is dedicated to the development, manufacturing and commercialization of novel drugs for the treatment of viral infections, oncological and cardio-cerebrovascular diseases, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;
- (b) the Accountants’ Report for each of the two financial years ended December 31, 2024 has been prepared and is set out in Appendix I to this document in accordance with Rule 18A.06 of the Listing Rules;
- (c) notwithstanding that the financial results set out in this document are only for the two years ended December 31, 2024, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this document pursuant to the relevant requirements;

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**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS  
UNDER THE LISTING RULES AND EXEMPTION FROM THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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- (d) given that Chapter 18A of the Listing Rules provide that the minimum track record period for biotech companies in terms of financial disclosure is two years, strict compliance with the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for our Company;
  
- (e) our Directors are of the view that the Accountants' Report covering the two years ended December 31, 2024 included in this document, together with other disclosure in this document, have already provided the potential investors with adequate information in the circumstances to form a view on the track record of our Group, and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of our Group's business, assets and liabilities, financial position, trading position, management and prospects has been included in this document. Therefore, the exemption would not prejudice the interest of the investing public.

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]



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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<b>Executive Directors</b>		
Dr. Du Jinfu (杜錦發)	Room 601, Unit 2, Building 63 Hangnan Xincheng Expert Apartment Junction of Youyi Road and Xingang Avenue Xinzheng City, Zhengzhou Henan Province, PRC	American
Dr. Dang Qun (黨群)	Room 706, Building 8 Tangchen Haoyuan II Lane 825, Chenhui Road Pudong New District Shanghai, PRC	American
Mr. Wang Lin (王琳), former name Wang Jialin (王稼霖)	West Household, 6/F Unit 5, West Building Cadre Rest Home Xinhua District Pingdingshan City Henan Province, PRC	Chinese
<b>Non-executive Directors</b>		
Mr. Zhu Jinqiao (朱晉橋)	C-805, Building 7 Xiangrui Garden Longzhu Boulevard Nanshan District Shenzhen Guangdong Province, PRC	Chinese
Dr. Li Juhe (李聚合)	Room 502, Door 2, Building 10 Huichengmen Haidian District Beijing, PRC	Chinese

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<b>Independent non-executive Directors</b>		
Dr. He Ruyi (何如意)	Room 131, Unit 1, Building 7 Diplomatic Residence Compound Jianguomenwai Yard 1, Xiushui Street Chaoyang District Beijing, PRC	American
Ms. Leung Bik San (梁碧珊)	Flat B, 19/F, Tower 2A Oceanaire 18 Po Tai Street Ma On Shan, New Territories Hong Kong	Chinese
Mr. Wang Jitao (王繼濤)	Room 401, East 4/F, Unit 3, Building 27 Forest Peninsula South of Jinger Road Xincheng District Pingdingshan City Henan Province, PRC	Chinese

For further information regarding our Directors and senior management members, please see “Directors and Senior Management” for details.

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**PARTIES INVOLVED IN THE [REDACTED]**

**Sole Sponsor, [REDACTED]**

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

[REDACTED]

**Legal advisors to our Company**

*As to Hong Kong and United States laws:*  
**Sidley Austin**  
Level 39, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

*As to PRC laws:*  
**Jingtian & Gongcheng**  
34/F, Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing  
China

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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	<p><i>As to Cayman Islands laws:</i> <b>Conyers Dill &amp; Pearman</b> 29th Floor One Exchange Square 8 Connaught Place Central Hong Kong</p>
<p><b>Legal advisors to the Sole Sponsor and the [REDACTED]</b></p>	<p><i>As to Hong Kong and United States laws:</i> <b>Jones Day</b> 31/F, Edinburgh Tower, The Landmark 15 Queen's Road Central Central Hong Kong</p> <p><i>As to PRC laws:</i> <b>Commerce &amp; Finance Law Offices</b> 14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Chaoyang District Beijing, PRC</p>
<p><b>Auditors and reporting accountants</b></p>	<p><b>Ernst &amp; Young</b> <i>Certified Public Accountants</i> <i>Registered Public Interest Entity Auditor</i> 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong</p>
<p><b>Industry consultant</b></p>	<p><b>Frost &amp; Sullivan (Beijing) Inc., Shanghai Branch Co.</b> 2504 Wheelock Square 1717 West Nanjing Road Jingan District Shanghai, PRC</p>

[REDACTED]

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## CORPORATE INFORMATION

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<b>Registered office</b>	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Headquarters and principal place of business in the PRC</b>	Building 1, Yard 10 Fu Xing Middle Road Xincheng District Pingdingshan City Henan Province, PRC
<b>Principal place of business in Hong Kong</b>	Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Company’s website</b>	<b><u><a href="http://www.genuine-bio.com">www.genuine-bio.com</a></u></b> <i>(information on this website does not form part of this document)</i>
<b>Company secretary</b>	Ms. Leung Wai Yan (梁慧欣) <i>(Associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)</i> Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Authorized representatives</b>	Dr. Du Jinfa (杜錦發) Room 601, Unit 2, Building 63 Junction of Youyi Road and Xingang Avenue Xinzheng City, Zhengzhou Henan Province, PRC  Ms. Leung Wai Yan (梁慧欣) Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

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## CORPORATE INFORMATION

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**Audit committee**

Mr. Wang Jitao (王繼濤) (*Chairman*)

Ms. Leung Bik San (梁碧珊)

Dr. Li Juhe (李聚合)

**Remuneration committee**

Dr. He Ruyi (何如意) (*Chairman*)

Mr. Wang Jitao (王繼濤)

Dr. Li Juhe (李聚合)

**Nomination committee**

Dr. Du Jinfan (杜錦發) (*Chairman*)

Ms. Leung Bik San (梁碧珊)

Dr. He Ruyi (何如意)

**Compliance advisor**

**Guotai Junan Capital Limited**

27/F, Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

[REDACTED]

**Principal banks**

**CMB WING LUNG BANK LIMITED**

45 Des Voeux Road

Central

Hong Kong

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## CORPORATE INFORMATION

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**Industrial and Commercial Bank of China**

**Pingdingshan Huaying Sub-branch**

Floor 1-2, Building 9  
Block D, Cuilin Lanwan  
South of Chang'an Avenue and  
east of Gongzheng Road  
Xincheng District  
Pingdingshan City  
Henan Province, PRC

**China Merchants Bank**

**Zhengzhou Branch**

1/F, China Merchants Bank Tower  
96 Nongye East Road  
Zhengdong New District  
Zhengzhou  
Henan Province, PRC

**Zhongyuan Bank**

**Pingdingshan Gaoxin Branch**

South 500 meters east of the intersection of  
Shenma Avenue and Kaifa Er Road  
Gaoxin District, Pingdingshan City  
Henan Province, PRC



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## INDUSTRY OVERVIEW

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*Certain information and statistics set out in this section have been extracted from various official government publications, 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. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], [REDACTED], [REDACTED], [REDACTED], any of its or the [REDACTED] or any of their respective directors, employees, agents or advisors or any other person or party involved in the [REDACTED], and no representation is given as to its accuracy, fairness and completeness. For a discussion of the risks relating to our industry, see “Risk Factors” in this document.*

### ANTIVIRAL DRUG MARKET

#### Overview of Antiviral Drugs

Viral infections have consistently posed serious threats to public health throughout human history. Viral infections are often contagious and infected populations can transmit the virus through direct, indirect or close contact, sometimes within a short period of time, causing an epidemic and creating significant socioeconomic burden.

Depending on the stage, viral infections may be categorized into chronic, acute and latent viral infections. Chronic viral infection is characterized by the continued presence of virus following the initial infection and causes chronic or recurrent disease, such as HIV. Acute viral infection is characterized by a sudden or rapid onset of disease, which may either be resolved quickly by robust immune responses exerted by the host or, instead, kill the host, such as COVID-19. Latent viral infection occurs when a virus is present in the body in a resting (latent) state without producing more viruses, which usually does not cause any noticeable symptoms and can last a long period of time before becoming active and causing symptoms, such as herpetic keratitis.

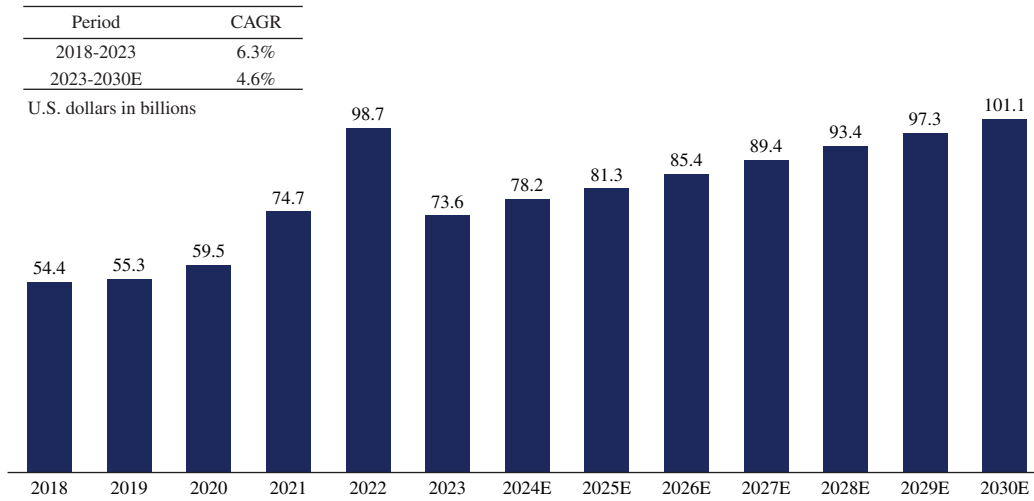
Antiviral drugs are a class of medication used for treating viral infections. Most of antiviral drugs target specific viruses, while antiviral drugs with a broad-spectrum are able to treat a wide range of viruses. Without destroying the target virus, an antiviral drug inhibits its development mainly by targeting various stages in the virus life cycle. Viral infections represent one of the major therapeutic areas in the global pharmaceutical market. In 2023, the global and China antiviral drug market amounted to US\$73.6 billion and US\$7.8 billion, respectively, representing 5.0% and 3.4%, respectively, of the overall global and China pharmaceutical market.

## INDUSTRY OVERVIEW

### Antiviral Drug Market

The global antiviral drug market increased from US\$54.4 billion in 2018 to US\$73.6 billion in 2023 at a CAGR of 6.3%. The market is expected to grow to US\$101.1 billion in 2030 at a CAGR of 4.6% from 2023 to 2030. The chart below sets forth the historical and estimated size of the global antiviral drug market:

**Global Antiviral Drugs Market, 2018-2030E**



*Source: Frost & Sullivan analysis*

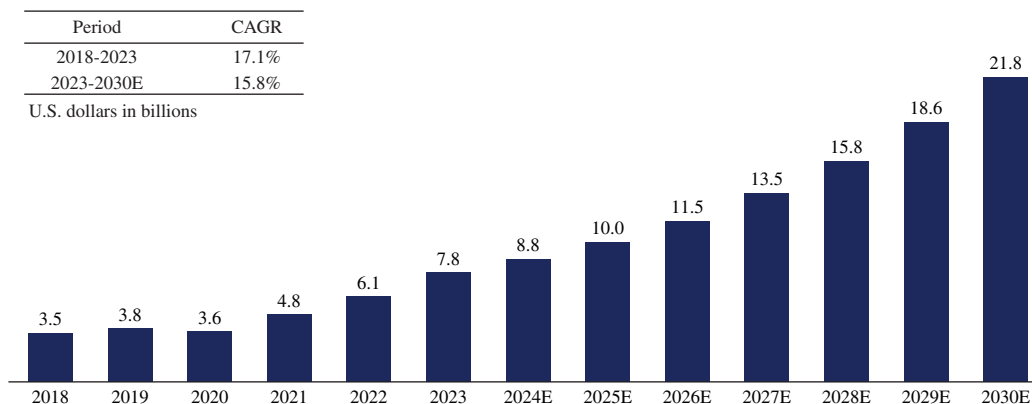
*Note:*

- (1) COVID-19 and related antiviral therapies are considered in estimating the size of the global antiviral drug market from 2020 onwards. Due to the global efforts and the application of effective COVID-19 drugs, the spread of virus is limited and lead to a decline in the market size from 2022 to 2023.

## INDUSTRY OVERVIEW

China’s antiviral drug market grew from US\$3.5 billion in 2018 to US\$7.8 billion in 2023 at a CAGR of 17.1%. The market is expected to further grow to US\$21.8 billion in 2030 at a CAGR of 15.8% from 2023 to 2030. The chart below sets forth the historical and estimated size of China’s antiviral drug market:

**China Antiviral Drugs Market, 2018-2030E**



Source: Frost & Sullivan analysis

Note:

- (1) COVID-19 and related antiviral therapies are considered in estimating the size of China’s antiviral drug market. The impact of the COVID-19 outbreak on China’s antiviral drug market is relatively limited as compared to that on the global antiviral drug market due to effective non-pharmaceutical interventions and limited incidence.

### Treatment Options for Viral Infections

Antiviral drugs are for the treatment or control of viral infections. They mainly target various stages in the virus life cycle to inhibit viral replication. For a virus to infect a host organism, the viral genome must be transferred from a virus particle into the cytoplasm of a host cell, *i.e.*, it must get inside the host cell. This process includes six steps, namely, attachment, penetration, uncoating, gene expression and replication, assembly of viral components and release of new viruses from the host cell. By attacking any of these steps, an antiviral drug could interrupt the viral life cycle and prevent a virus from infecting the host. Antiviral agents can be classified by target stage in the virus life cycle or by viral infection that they are used to treat. In recent years, primarily attributable to a better understanding of molecular mechanisms of viral infections, antiviral agents have gradually evolved from nonspecific measures to combined and specific targeted therapies, which not only improve efficacy but also reduce toxicity.

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## INDUSTRY OVERVIEW

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The development of new antiviral drugs has been relatively slow. Viruses do not have their own cellular structure and metabolic system, which means they must live within the host cell to replicate and proliferate. Therefore, it has been a big challenge to find safe and effective antiviral compounds that can reach the target virus inside the infected cells without causing severe side effects to the host. Furthermore, as viruses mutate quickly, they may quickly develop resistance toward an existing antiviral drug. In addition, *in vitro* studies and animal studies are often necessary before advancing an antiviral drug candidate to a clinical trial, which can present new obstacles to researchers. For example, animal studies on certain viruses may not be predictive of their clinical outcomes on human subjects.

### Market Drivers of Antiviral Drugs

*Increasing diagnosis and treatment rates for viral infections.* Viral infections are one of the major threats to human health. Thanks to advances in science, the efficacy of viral infection diagnosis and treatment has been improving with an increasing number of established standard treatments. These clinical advances further drive the growth of the global and China antiviral drug market.

*Innovative treatments to address drug resistance and virus mutation.* Given the increasing trend of drug resistance observed in viral infections, along with the rapid emergence of new mutants in viruses, there is a strong need for new antiviral treatments. As such, there remain significant unmet medical needs for viral infections field, which have and will continue to motivate the R&D work in the antiviral field.

*Increasing willingness and ability to pay.* When innovative drugs deliver significant benefits to patients and the public, there generally is a high willingness to pay. As many viral infections can lead to life-threatening conditions, cause significant public health and socioeconomic burden while few treatment options are available, patients’ willingness to pay for effective and safe antiviral drugs is high. Additionally, the average annual disposable income of residents in China has experienced a robust growth in recent years, which increased from RMB28,228 in 2018 to RMB39,218 in 2023 at a CAGR of 6.8%. This growth indicates increasing purchasing power of the patients and has a positive effect on the growth of China’s antiviral drug market.

*Increasing disease awareness and access to healthcare.* Countries and regions had adopted voluminous public education materials (including government announcements and scientific publications), aiming to increase public awareness of viral infections and their transmission modes. Additionally, the healthcare system in China is rapidly evolving, which has significantly expanded public access to healthcare. China has built the world’s largest basic medical insurance network covering all Chinese residents, according to the 14th Five-Year Plan on National Medical Security (“十四五”全民醫療保障規劃) issued by the General Office of the State Council on September 23, 2021.

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## INDUSTRY OVERVIEW

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*Favorable policies promoting development of antiviral drugs.* The PRC government has promulgated a series of favorable policies in relation to the treatment of viral infections, including motivating the R&D work of innovative antiviral drugs. For example, it has shortened the review and approval period to expedite the marketing process for drugs with potential to address urgent and unmet medical needs. Additionally, domestic pharmaceutical companies are able to benefit from tax reduction policies, talent incentive programs and special public R&D funds to support their R&D activities.

### **The HIV Drug Market**

#### *Overview*

HIV is a virus that primarily attacks and destroys the CD4+ T cells of the immune system, making the patient vulnerable to infections and other diseases. HIV infection progresses in four stages, from acute infection, through latency period and pre-AIDS period, to the end stage, *i.e.*, acquired immunodeficiency syndrome, or AIDS. HIV can be classified into two major virus types based on genetic differences: HIV-1 and HIV-2. HIV-1 is the most common type, constituting more than 90% of HIV infections worldwide. There is still no cure for HIV infection, but disease progression can be suppressed or slowed down by medication.

The number of HIV-infected patients reached 42.9 million globally in 2023. It is expected to reach 48.7 million in 2030, representing a CAGR of 1.8% from 2023 to 2030. In China, HIV-infected population reached 1.6 million in 2023 and is expected to increase to 2.0 million in 2030 at a CAGR of 3.5% from 2023 to 2030. HIV-infected patients may take years to develop AIDS without medication. In some cases, HIV-infected patients may not show any symptoms for many years before symptoms such as fever, fatigue, swollen lymph nodes, weight loss, oral yeast infection, shingles and pneumonia begin to show. With an increasing number of infected people expected to be living with HIV for extended periods of time, the fight against HIV remains a huge challenge to the global healthcare system.

## INDUSTRY OVERVIEW

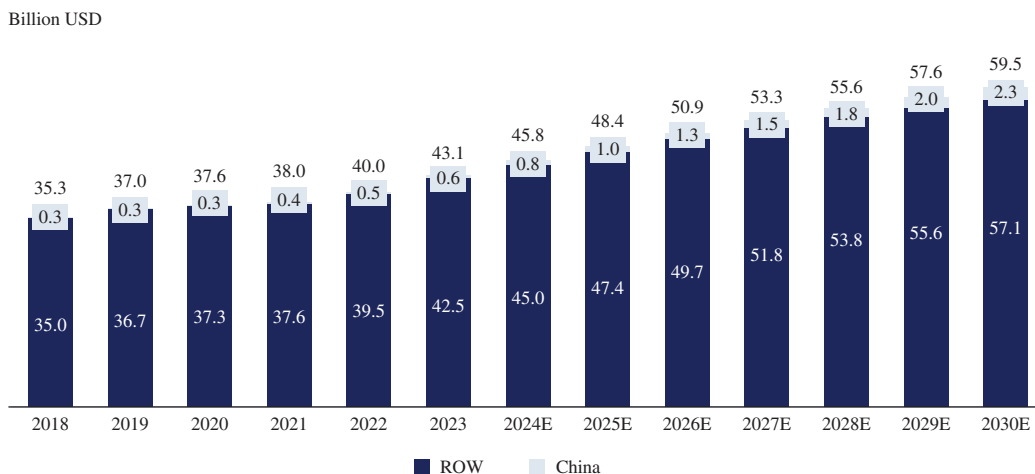
### Global and China’s HIV Drug Market

The global HIV drug market grew from US\$35.3 billion in 2018 to US\$43.1 billion in 2023, representing a CAGR of 4.1%. It is estimated to reach US\$59.5 billion in 2030, representing a CAGR of 4.7% from 2023 to 2030. Innovative therapies are expected to continuously drive growth in both developed and emerging markets. In particular, nucleoside-based drugs, as the backbone drug in all first-line antiretroviral treatments recommended by the WHO for HIV-infected patients, constitute a significant component of the HIV drug market, with great growth potential.

China’s HIV drug market grew from US\$304.5 million in 2018 to US\$636.2 million in 2023, representing a CAGR of 15.9%. It is expected to reach US\$2,327.5 million in 2030, representing a CAGR of 20.4% from 2023 to 2030, which are significantly higher than the estimated CAGRs for the global HIV drug market for the same periods. According to Frost & Sullivan, this growth reflects increased diagnosis and treatment and the anticipated inclusion of additional innovative HIV drugs in the NRDL, leading to a larger patient base receiving innovative HIV drugs. Similar to recommendations by the WHO, the HIV treatment guideline published by the Chinese Center for Disease Control and Prevention in 2024 also lists nucleoside-based drugs as the backbone drug in all first-line antiretroviral treatment options for HIV, signaling its significance in terms of HIV treatment as well as growth potential in terms of market size.

### China and Global HIV Drugs Market, 2018-2030E

CAGR	China	ROW	Total
2018-2023	15.9%	3.9%	4.1%
2023-2030E	20.4%	4.3%	4.7%



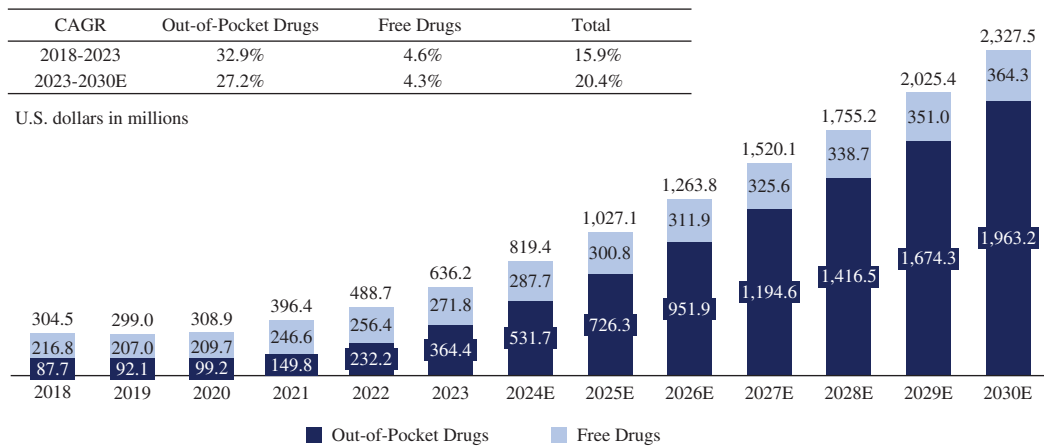
Source: Frost & Sullivan analysis

## INDUSTRY OVERVIEW

China’s HIV drug market comprises drugs for which patients need to pay at least a portion of the cost out of their own pockets, including drugs covered by the NRDL, and drugs supplied by the government for free under the Four-Free and One-Care Initiative (“四免一關懷”), which includes older generations of ART medications. The out-of-pocket segment represents the market for most of the innovative HIV drugs and is expected to be the main component of growth in China’s HIV drug market.

The following chart shows the historical and estimated market size and breakdown of China’s HIV drug market:

**Breakdown of China HIV Drug Market by Out-of-Pocket Drugs and Free Drugs, 2018-2030E**



Source: Frost & Sullivan analysis

### Treatment Options for HIV

Currently, there is no cure for HIV infection but antiretroviral therapy (ART) can interrupt HIV replication and therefore suppress HIV viral load in infected patients, reducing the risk of HIV transmission. However, HIV patients using a single-drug ART have a high possibility of failing to suppress viral activity due to drug resistance. Therefore, current guidelines from the WHO and the U.S. Department of Health and Human Services (DHHS) recommend ARTs that contain a combination of two or three drugs from different classes of antiretroviral drugs for the treatment of HIV infection, also known as combination ART (cART), or cocktail therapy. The recommended two-drug cART includes a nucleoside reverse transcriptase inhibitor (NRTI) as the backbone drug and an integrase strand transfer inhibitor (INSTI). The recommended three-drug cART includes two NRTIs and a third antiretroviral drug from one of three drug classes: an INSTI, a non-nucleoside reverse transcriptase inhibitor (NNRTI), or a protease inhibitor (PI) with a pharmacokinetic enhancer. According to data published by the Joint United Nations Programme on HIV/AIDS (UNAIDS), approximately 30.7 million people, accounting for 76.9% of those living with HIV globally, had access to ART in 2023.

Despite marked improvement in therapeutic options, limitations to therapy still exist, including reliance on daily compliance, long-term toxicity and side-effects of medications, high lifetime cost of treatment and limited options for some patients with multiclass resistance.

## INDUSTRY OVERVIEW

### Competitive Landscape of HIV Drugs

In recent years, newly approved cART agents with improved efficacy and safety profiles have become the most widely used HIV drugs globally. The following table sets forth the global top ten HIV drugs in terms of sales value in 2023 (among those with publicly disclosed sales figures):

#### Global Top Ten HIV Drugs by Sales Value

Drug Class (Technology)	Brand Name	Generic Name	Year Approved	Company	Dosing and Administration	2023 Global Sales, Billion USD	Year of Patent Expiration	Availability in China	2023 NRDL Coverage
INSTI/ NRTI/ NRTI	Biktarvy	BIC/FTC/TAF	2018	Gilead	One tablet per day, oral	11.9	2033	Available	List B
tINSTI/ NRTI	Dovato	DTG/3TC	2019	GSK	One tablet per day, oral	2.7	2027	Available	List B
NRTI/ INSTI/ NRTI	Triumeq	ABC/DTG/3TC	2014	GSK	One tablet per day, oral	2.3	2027	Available	—
INSTIs	Tivicay	DTG	2013	GSK	One/two tablets per day, oral	2.1	2027	Available	—
INSTI/ Enhancer/ NRTI/ NRTI	Genvoya	EVG/COBI/FTC/TAF	2015	Gilead	One tablet per day, oral	2.1	2029	Available	List B
NRTI/ NRTI	Descovy	FTC/TAF	2016	Gilead	One tablet per day, oral	2.0	2031	Available	—
NRTI/ NNRTI/ NRTI	Odefsey	FTC/RPV/TAF	2016	Gilead	One tablet per day, oral	1.4	2032	Unavailable	—
NNRTIs	Edurant	RPV	2011	Johnson & Johnson	One tablet per day, oral	1.2	2025	Available	List B
INSTI/ NNRTI	Cabenuva	CAB+RPV LA	2021	GSK	Monthly or every 2 months, injection	1.1	2031	Available	—
INSTI/ NNRTI	Juluca	DTG/RPV	2017	GSK	One tablet per day, oral	1.0	2027	Available	—

Source: Frost & Sullivan analysis

The majority of HIV drugs in China’s market are single-agent antiretroviral drugs instead of composite drugs containing multiple ART agents, which are more accessible in developed markets. Single-agent antiretroviral drugs from a different class, such as NNRTIs or INSTIs, are not considered substitutes or competitors of azvudine, because as an NRTI, a class of antiretroviral drug that is widely used as the backbone drug in first-line cART regimens, azvudine could work in combination with drugs of different mechanisms to form various cART regimens. The following table sets forth a summary of azvudine and other marketed NRTI drugs for treatment of HIV infection in China as of the Latest Practicable Date that could potentially compete, or be used in combination, with azvudine:

Original Brand Name	Generic Name	Original Producing Company	Year Approved	Patent Status	2023 NRDL	Free drug list	Dosing and Administration
Videx	Didanosine	BMS	1999	Expired	—	—	less than 60 kg: 250 mg/day at least 60 kg: 400 mg/day, oral
Vemlidy	Tenofovir alafenamide (TAF)	Gilead	2018	Expired	List B	—	25 mg/day, oral
Viread	Tenofovir Disoproxil Fumarate (TDF)	Gilead	2008	Expired	List B	Free	8 mg/kg daily (up to a maximum of 300 mg), oral
Ziagen	Abacavir (ABC)	GSK	2002	Expired	—	Free	600 mg/day, oral
Retrovir	Zidovudine (AZT)	GSK	1999	Expired	List B	Free	600 mg/day, oral 1 mg per kg infused at a constant rate over 1 hour every 4 hours, IV
Epivir	Lamivudine (3TC)	GSK	1999	Expired	List B	Free	300 mg/day, oral
Zerit	Stavudine (D4T)	BMS	1999	Expired	—	—	less than 60 kg: 30 mg every 12 hours at least 60 kg: 40 mg every 12 hours, oral
Emtriva	Emtricitabine (FTC)	Gilead	—*	Expired	List B	Free	200 mg capsule daily or 240 mg solution daily, oral
Shuangxinaike (雙新艾克)	Azvudine (FNC)	Genuine Biotech	2021	Valid	List B	—	3 mg/day, oral

Source: Frost & Sullivan analysis

\* The original drug of FTC was not approved in China but its generic versions are available in China.



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## INDUSTRY OVERVIEW

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### *Policies for HIV Treatment in China*

In 2003, China launched the Four-Free and One-Care Initiative to provide free consultation, screening test and access to ARTs primarily to rural and low-income urban patients. However, this free drug program only covers older generations of ARTs, which are often less effective than the newer generations of ARTs and come with significant side effects. Patients may need to pay out-of-pocket for more innovative ARTs. As indicated in the table above entitled “Global Top Ten HIV Drugs by Sales Value,” in 2023 only four of the ten global top selling innovative therapeutics were covered by the NRDL in China. The 2024 version of the “China AIDS Diagnosis and Treatment Guidelines” has primarily updated antiviral treatment, full-course management, opportunistic infections, HIV combined with tumors, prevention and intervention of HIV infection, etc., and included diagnosis and treatment recommendations together with their bases to further enrich the theoretical and practical system of diagnosis and treatment of HIV infections.

### *Key Growth Drivers of HIV Drug Market*

*Increasing number of patients.* In 2023, there were approximately 42.9 million people living with HIV worldwide. The number of HIV-infected patients increased each year from 2018 to 2023 globally and in China and this trend is expected to continue. The improved survival rate and life expectancy of HIV-infected patients, primarily as a result of patient compliance and advances in treatment regimes such as ARTs and detection and diagnosis methods, are expected to lead to continuous expansion of HIV-infected population.

*Resistance to existing drugs.* According to the HIV Drug Resistance Report 2021 published by the WHO, pre-treatment resistance was observed in ART initiators with or without previous antiretroviral drug exposure. For acquired drug resistance, 83.1% of patients with viral load exceeding 1,000 copies/mL after receiving first-line ART treatment developed resistance to the NRTIs in their regimens. Such resistance creates a constant demand for research and development of novel ART drugs.

*Favorable policies.* For the prevention and treatment of HIV infection, China introduced the Four-Free and One-Care Initiative in 2003, providing HIV-infected patients with access to formal testing and treatment. Since 2003, the PRC government has expanded the coverage of ART drugs significantly and updated treatment plans. It is also expected to include more innovative ART drugs in the NRDL to better control HIV infection. Other countries are also investing in HIV prevention and treatment. For example, according to the DHHS, the U.S. government directly invests more than US\$20 billion in HIV prevention and treatment each year.

*Increasing willingness and ability to pay.* As HIV infection can lead to life-threatening conditions, patients’ willingness to pay for effective and safe treatment is high. The heightened willingness to pay, combined with the improving living standards and purchasing power of the patients, creates increasing demand for more anti-HIV drugs that are effective, safe and with convenient administration schedules.

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## INDUSTRY OVERVIEW

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### *Current Challenges of China HIV Drug Market*

*Low Compliance of Existing Therapies.* Research indicates that a significant proportion of individuals struggle to adhere consistently to their medication schedules. Although newer ART formulations have simplified dosing schedules, compliance remains a challenge for some patients due to the complexity of treatment regimens.

*Resistance to Existing Therapies.* With the development and use of HIV treatments, drug resistance to existing drugs has also been reported. The prolonged drug exposure leads to the emergence of drug-resistant HIV strains that could render the existing antiretroviral drugs partially or fully inactive. According to the HIV Drug Resistance Report 2021 published by the WHO, pre-treatment resistance was observed in ART initiators with or without previous ARV drug exposure. For acquired drug resistance, 83.1% of patients with viral load  $\geq 1,000$  copies/mL after receiving first-line ART treatment were resistant to NRTIs. Such resistance creates a constant demand for research and development of novel ART drugs.

*Low Accessibility and Affordability.* While China has made commendable efforts to ensure free antiretroviral therapy (ART) for citizens living with HIV, disparities persist in drug availability across urban and rural areas. Many rural regions face shortages of essential medications due to logistical challenges, limited healthcare infrastructure, and insufficient funding. Another pressing issue is the high cost of innovative HIV drugs. Although generic versions of some medications are available, newer and more effective treatments often come with a hefty price tag. This financial burden limits access for many patients. Additionally, the reliance on imported drugs for certain therapies adds to the cost, emphasizing the need for domestic pharmaceutical innovation.

### *Future Trends of China HIV Drug Market*

*Combination ART.* The landscape of HIV treatment has continually evolved over the past decades, with advancements in ART playing a pivotal role in improving the quality of life for people living with HIV. Among these advancements, combination ART, use of multiple antiretroviral drugs in a single regimen to effectively suppress the replication of the HIV virus, has emerged as a key trend.

*Long-acting Therapies.* The development of long-acting therapies is one of the most promising research areas for HIV infection. Traditional ART requires patients to adhere to a daily medication regimen, which can be challenging for some patients who have difficulty maintaining good adherence due to side effects or lifestyle restrictions. Long-acting therapies reduce the need for daily consumption of medication, thereby reducing the risk of treatment interruption due to patient forgetfulness, lifestyle habits, or side effects. In addition, long-acting therapies reduce the need for frequent pick-ups and medication intake, lower management and distribution costs, and enable more patients to receive continuous treatment, thereby improving treatment accessibility and coverage.

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## INDUSTRY OVERVIEW

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*Improving Accessibility and Affordability.* As the number of individuals living with HIV continues to grow, ensuring equitable access to effective treatment remains a critical challenge. By implementing targeted policies, promoting innovative solutions, and strengthening healthcare infrastructure, China is expected to make important progress in improving access to and affordability of HIV treatment for people living with HIV.

*Enhancing Involvement of Domestic Companies.* China’s pharmaceutical industry has developed rapidly in recent years, and domestic companies have continuously increased their research and development investment in the field of innovative HIV treatment. This trend is supported by government incentives and is also aimed at reducing dependence on imported drugs. With the active participation of local pharmaceutical companies, the market is expected to usher in more locally produced drugs with lower costs and reliable efficacy, which will further promote the popularization and development of HIV treatment.

### **The COVID-19 Drug Market**

#### *Overview*

The COVID-19 pandemic is an ongoing public health crisis caused by infections and spread of the severe acute respiratory syndrome coronavirus 2, or SARS-CoV-2. Mutated variants of the virus have emerged, some with higher transmissibility. There had been over 772 million COVID-19 infection cases and over 7 million COVID-related deaths recorded worldwide as of December 31, 2023. Although the COVID-19 pandemic had gradually waned since the beginning of 2023, unpredictable seasonal surges may continue to occur, particularly during the winter season. For example, according to a report from the WHO in February 2024, there were over 0.5 million new COVID-19 cases reported between January 2024 to February 2024.

#### *Treatment Options for COVID-19*

Current antiviral treatments of COVID-19 primarily include (i) RdRp inhibitors, such as Azvudine, which target RdRp, a key component in the synthesis of viral ribonucleic acid (RNA), and terminate RNA chain elongation; and (ii) 3CL protease inhibitors, such as Paxlovid by Pfizer, which target a main protease (3CL protease) in the replication of the virus. According to Frost & Sullivan, studies of existing variants show that most of the mutations are located in the spike protein, while RdRp, the target of RdRp inhibitors, remains relatively conserved with a low mutation rate can maintain relatively high activity against new coronavirus variants such as Omicron.

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### Competitive Landscape of Oral Treatment of COVID-19

As of the Latest Practicable Date, 12 companies globally had brought antiviral drug candidates for the treatment of COVID-19 to marketing stage. The following table sets forth a summary of azvudine and other marketed oral antiviral COVID-19 treatments as of the Latest Practicable Date in countries across the world that could potentially compete with azvudine:

Drug Name	Company	Mechanism of Action	Status	Dosage	Price
Azvudine	Henan Genuine	RdRp inhibitor	NMPA conditional approval; clinical trial Phase III in Brazil	5 mg each time, once a day, and the treatment course should not exceed 14 days.	RMB175 per 7-day course
Paxlovid	Pfizer	3CL protease inhibitor	FDA EUA; NMPA conditional approval	300 mg nirmatrelvir with 100 mg ritonavir taken twice daily for five days	RMB1,790 per 5-day course
Molnupiravir	Merck	RdRp inhibitor	FDA EUA; NMPA conditional approval	800 mg every 12 hours for five days	RMB1,426 per 5-day course
Leritrelvir	Guangdong Huanan Pharmaceutical Group	3CL protease inhibitor	NMPA conditional approval	0.4g (2 tablets) three times a day for 5 consecutive days	RMB470 per 5-day course
Ensitrelvir	Shionogi	3CL protease inhibitor	Approved in Japan and Singapore; NDA in China	375 mg on the first day, and 125 mg on days 2 to 5	/
Baricitinib	Eli Lilly	JAK inhibitor	FDA EUA	2mg per day	RMB1,064 per 28-day course
Renmindevir	Junshi Biosciences	RdRp inhibitor	Approved in Uzbekistan; NMPA conditional approval	once every 12 hours for 5 consecutive days. Day 1: 0.6g each time (6 tablets); Days 2 to 5: 0.3g each time (3 tablets).	RMB475 per 5-day course
GST-HG171+ritonavir	Fujian Cosunter Pharmaceutical Co., Ltd.	3CL protease inhibitor	NMPA conditional approval	150mg Atilotrelvir + 100mg Ritonavir, twice a day for 5 days	RMB498 per 5-day course
SIM0417+Ritonavir	Simcere	3CL protease inhibitor	NMPA conditional approval	750mg Simnotrelvir +100mg Ritonavir, once every 12 hours, oral administration for 5 consecutive days	RMB479 per 5-day course
Sabizabulin	Veru	Microtubule disruptor	Approved in Australia	/	/
Proxalutamide	Kintor Pharmaceutical	AR Antagonist	EUA in Paraguay	/	/

Source: Frost & Sullivan analysis

Notes:

- For Baricitinib, there is no dosage for COVID-19 in its label.
- Price is based on the approximate price in the agreement between the manufacturer and the U.S. government.

## THE ONCOLOGY DRUG MARKET

### Overview

As the focus of oncology, cancer is a broad group of diseases characterized by the uncontrolled growth and spread of abnormal cells. It is distinguished by its high mortality rate, dire prognoses, and significant treatment expenses, making it an urgent healthcare challenge that demands constant attention. Particularly, advanced cancer, which refers to cancer that has metastasized from the primary site or relapsed, necessitates immediate medical intervention. As a leading cause of mortality worldwide, the global incidence of cancer has grown to 20.8 million in 2023 from 18.1 million in 2018. Due to aging population, the incidence of cancer is expected to reach 24.5 million in 2030. In China, cancer has been the second largest disease by mortality. In the past five years, the incidence of cancer in China has shown a steady growth, from 4.4 million in 2018 to 4.9 million in 2023 and is expected to reach 5.6 million in 2030.

## INDUSTRY OVERVIEW

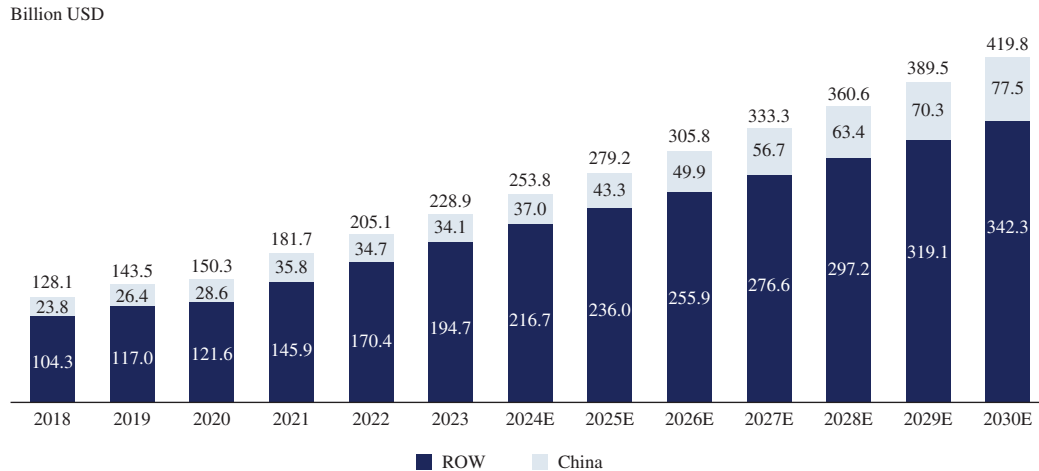
### Global and China’s Oncology Drug Market

From 2018 to 2023, global market of oncology drugs expanded from US\$128.1 billion to US\$228.9 billion, representing a CAGR of 12.3%, and is expected to reach US\$419.8 billion by 2030, with a CAGR of 9.1% from 2023 to 2030.

China’s oncology drug market reached US\$34.1 billion in 2023 from US\$23.8 billion at a CAGR of 7.2%, and is expected to reach US\$77.5 billion in 2030, representing a CAGR of 12.4%. Meanwhile, due to the introduction of targeted therapy and immunotherapy in China, its oncology drug market structure is gradually changing. Chemotherapy drugs, targeted therapy drugs and immunotherapy drugs accounted for approximately 47.5%, 42.4% and 10.1%, respectively, of China’s oncology drug market in 2023. In the coming decade, targeted therapy drugs and immunotherapy drugs are expected to experience much faster increase than chemotherapy drugs and become the largest and second largest sections of China’s oncology drug market in terms of market value in 2030.

#### China and Global Oncology Drug Market, 2018-2030E

CAGR	China	ROW	Total
2018-2023	7.5%	13.3%	12.3%
2023-2030E	12.4%	8.4%	9.1%



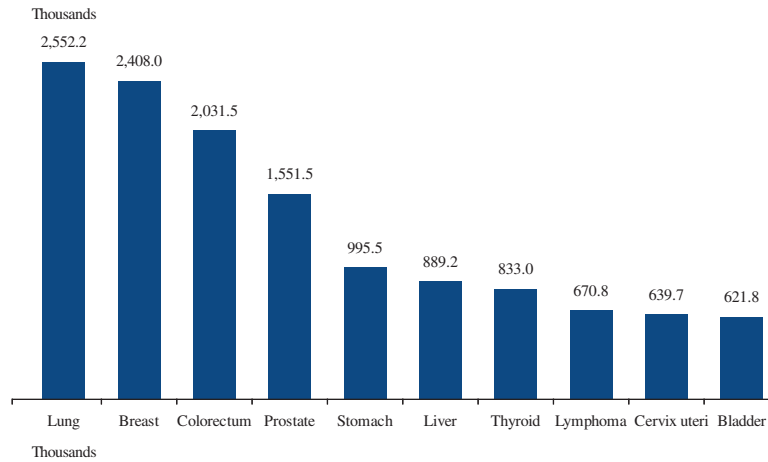
Source: Frost & Sullivan analysis

## INDUSTRY OVERVIEW

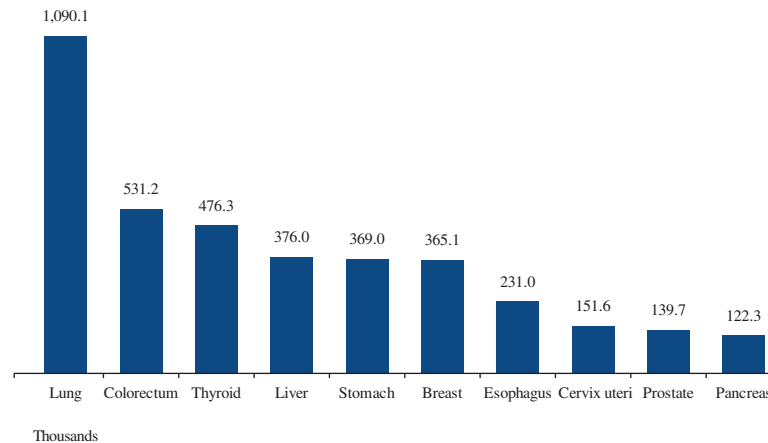
### Global and China Top 10 Cancers by Incidence in 2023

Lung cancer has been the type of cancer with the highest number of incidences both in China and around the globe, signifying the need for effective treatment options. Colorectal and liver cancers also present as top 10 cancers by incidence both globally and in China. The graphs below set forth the top 10 cancers by incidence globally and in China in 2023:

#### Top 10 Cancers by Incidence Globally, 2023



#### Top 10 Cancers by Incidence China, 2023



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

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## INDUSTRY OVERVIEW

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### Key Growth Drivers of the Global Oncology Drug Market

*Aging population.* As the overall metabolic and immune capacities of elder people gradually decline, they are more likely to suffer from chronic diseases. Therefore, aging has become a common risk factor for a number of chronic diseases including tumors. Global aging population has reached 783.1 million in 2023, and is expected to further increase to 978.7 million in 2030. Global oncology patient pool will further grow due to the increasing aging population, which will drive the market expansion of oncology drugs.

*Technological advancements.* Technological advancements revolutionize the pharmaceutical R&D and manufacturing process and enable the advancement of targeted therapy and immuno-oncology therapy, among other treatments, to address the unmet clinical needs. Patients suffering from cancer have benefited from higher 5-year survival rate. With further R&D investments and efforts, more novel therapies will be launched to further prolong the survival rates of cancer patients, boosting the market in the process.

*Emerging combination therapies.* Combination therapy, a treatment modality that combines two or more therapeutic agents, is a cornerstone of cancer therapy. The amalgamation of anti-cancer drugs enhances efficacy compared to the mono-therapy approach because it targets key pathways in a characteristically synergistic or an additive manner. The increasing availability of novel therapies will further enrich the varieties of combinations and further expand the oncology drug market globally. The trend toward combination therapy is likely to continue to improve patient outcomes and drive growth in the U.S. market. Newly launched immuno-oncology drugs, which have dramatically impacted the treatment landscape, supplement, rather than replace, existing targeted therapy treatments and therefore are expected to contribute to increased sales of drugs.

*Rising small and medium-sized pharmaceutical companies.* Small and medium-sized pharmaceutical companies (“SMSPC”), which can offer potentially more promising career opportunities, are attractive for sales and R&D talents trained at MNCs. With the diversification of talents, R&D activities are no longer dominated by MNCs. SMSPCs may focus on specialty drugs and are more flexible in operation, injecting vitality to the oncology drug industry.

### Key Growth Drivers of China’s Oncology Drug Market

*Increasing number of cancer patients.* China’s cancer incidence reached 4.9 million in 2023, accounting for nearly one-fourth of the global incidence. The number is estimated to further increase to 5.6 million in 2026, leading to growing demand of oncology drugs.

*Significant unmet clinical needs.* The approval schedule of novel oncology therapies and types of therapies available in China lag behind developed markets. Moreover, approved drugs in China have fewer approved indications, which further limit their clinical applications. These factors indicate great growth potential for China’s oncology drug market.



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*Improving affordability.* The standards of living in China have improved continuously as a result of its economic development. The per capita disposable income had risen from RMB28,228 in 2018 to RMB39,218 in 2023. Moreover, the NRDL has expanded its coverage and adopted dynamic adjustment to include more advanced drugs in the list. 21 and 26 anti-tumor medications were newly added into the NRDL in 2023 and 2024, respectively, covering most of high-incidence cancer types in China. These factors have dramatically improved the purchase power of China’s cancer patients.

*Regulatory reform and favorable government policies.* The PRC government promulgated a series of policies to shorten the review and approval interval for innovative drugs. Priority review is also implemented to accelerate getting to the market process for drugs with potential to address the urgently clinical need. Patent protection is greatly enhanced as well. These reforms will stimulate domestic players to invest more on research & development. In October 2017, the General Office of the CPC Central Committee and the General Office of the State Council issued the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》). With the reform being realized, it leads to availability increase of clinical trial sites, shortening of the IND and NDA approval time, patent term extension and affordability of innovative drugs. In July 2018, the Guidelines on Accepting Foreign Clinical Data (《接受藥品境外臨床試驗數據的技術指導原則》) was issued, thereby accelerating the marketing process of innovative drugs whose clinical data generated abroad is accepted, rendering them to continue with the most advanced clinical stage possible directly in China. In 2023, the PRC government introduced the High-Quality Development Action Plan for the Pharmaceutical Industry (2023–2025) (《醫藥工業高質量發展行動計劃(2023–2025年)》), which called for extensive support for pharmaceutical companies, with the goal of stimulating R&D and advancing the pharmaceutical industry.

*Emerging combination therapies and targeted drugs.* Combination therapies have shown enhanced efficacy compared to the mono-therapy approach. The improving innovation capacity of domestic firms to develop novel drug candidates for combination therapies will enrich the oncology therapeutic options available in China and further drive the growth of China’s oncology drug market.

### **Current Challenges of Global and China’s Oncology Drugs**

*Increasing Cancer Burden and Drug Resistance.* With an aging population and lifestyle changes, the incidence of cancer has soared worldwide, making it a leading cause of death in China and globally. This surge places immense pressure on healthcare systems to provide timely and effective treatments. Also, despite several remarkable advancements in global and China’s oncology drug market, drug resistance remains a critical challenge, significantly impacting treatment outcomes and the overall efficacy of cancer therapies. The introduction of PD-1 inhibitors, such as pembrolizumab and nivolumab, revolutionized cancer treatment by reactivating the immune system to target and destroy tumor cells. These agents have demonstrated significant efficacy in a variety of malignancies, including NSCLC, CRC, liver cancer and renal cell carcinoma. Despite their success, resistance to PD-1 blockade has become



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## INDUSTRY OVERVIEW

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a worldwide challenge in clinical oncology. For instance, 78% of acquired resistance has been eventually developed with NSCLC patients who initially achieved response with PD-1. In China, where the incidence and mortality of cancers such as lung, liver, and colorectal cancer remains high, drug resistance poses a formidable barrier to achieving optimal clinical outcomes.

*Complexity and High Cost of R&D.* Oncology drug development worldwide requires substantial investment in preclinical studies, clinical trials, and regulatory processes. Patient recruitment for clinical trials is another global challenge. For instance, in China, which has a large population, finding eligible patients who meet strict inclusion criteria for oncology trials can be difficult. Lastly, while Chinese pharmaceutical companies are making strides in innovation, they still face challenges in competing with global players.

### **Future Trends of Global and China Oncology Drug Markets**

*Combination Therapies.* Combination therapies have emerged as a promising approach to address the drug resistance and complexities of current cancer treatment. For instance, addressing PD-1 resistance requires a multifaceted approach. Combination therapies have shown promise in overcoming resistance by targeting multiple pathways simultaneously. Combining PD-1 inhibitors with CTLA-4 or EGFR blockade, chemotherapy, or novel nucleoside analog drugs (e.g. azvudine) has demonstrated improved outcomes in certain cancers. Among these, azvudine, which can suppress viral life cycle, cancer cell growth and inhibit adhesion, migration, invasion, and proliferation of malignant cells, has shown its potential to combine with chemotherapeutic and/or immunotherapy regimens and potential to increase the efficacy of multiple anticancer therapies in aggressive cancers. Continuous attempts are being made to involve new drugs and new combinations, which will further encourage and expedite potential effective combinations to be applied in clinical practices more extensively.

*Managing Cancer as a Chronic Disease.* New treatments extend survival and active treatment time frames. Furthermore, patients unable to take current cancer therapies or who have developed resistance to initial therapies may be able to take advantage of new options and lines of therapy, resulting longer lifespan. With the availability of oncology drugs and awareness of health management, cancer is expected to have longer 5-year survival rate, becoming a kind of chronic disease like diabetes and hypertension and making cancer requires more than treatment but also follow-up and rehabilitation after treatment, which develops an increasing demand for more advanced screening methods, such as gene sequencing and imaging detection, and rehabilitation solutions, such as special nutritional support, cachexia treatment and comorbidity treatment.

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## INDUSTRY OVERVIEW

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### The NSCLC Drug Market

#### *Overview*

Lung cancer has the highest incidence and the highest number of mortalities of all types of cancer globally, accounting for approximately 12.3% of all new cancer cases and 20.0% of the total mortalities of all cancers in the world in 2023. Among all lung cancer patients worldwide, approximately 85% of lung cancers are NSCLC.

The global NSCLC incidence reached 2.17 million in 2023. It is estimated to increase to approximately 2.61 million in 2030, representing a CAGR of 2.7% from 2023 to 2030. The NSCLC incidence in China reached 0.93 million in 2023. It is estimated to increase to approximately 1.10 million thousand in 2030, representing a CAGR of 2.5% from 2023 to 2030.

Approximately 20% of lung cancer patients are diagnosed with brain metastasis at their initial diagnosis. Among lung cancer patients with epidermal growth factor receptor mutations or anaplastic lymphoma kinase rearrangements, the incidence is higher, with up to 60% of patients developing brain metastasis during the course of their disease. However, the blood-brain barrier significantly limits the efficacy of existing therapies for patients with brain metastases. Targeted drugs and new chemotherapy drugs are being developed to prolong the survival periods of patients and improve their life quality. As of the Latest Practicable Date, there had been one approved drug for the treatment of lung cancer brain metastasis in China. The primary challenge lies in the limited use of chemotherapy for treating brain metastases, attributed to the blood-brain barrier, a natural filter between the blood and the brain that safeguards the brain from harmful substances.

#### *Global and China’s NSCLC Drug Market*

The global NSCLC drug market size reached US\$78.3 billion in 2023; the market size is expected to reach US\$165.1 billion in 2030, with a CAGR of 11.2% from 2023 to 2030.

## INDUSTRY OVERVIEW

China’s NSCLC drug market reached US\$8.8 billion in 2023, primarily as a result of increases in patient population, access to treatment and innovative treatment options including targeted therapies. It is expected to continue this rapid growth, reaching US\$22.6 billion in 2030, representing a CAGR of 14.4% from 2023 to 2030. The following chart shows the historical and estimated market size for NSCLC drugs globally and in China:

**China and Global NSCLC Drug Market, 2018-2030E**

CAGR	China	ROW	Total
2018-2023	17.8%	11.3%	11.9%
2023-2030E	14.4%	10.8%	11.2%



Source: Frost & Sullivan analysis

### Treatment Options for NSCLS

According to Frost & Sullivan, surgery is the first-line treatment option for stage I, stage II, and stage III NSCLC. Radiotherapy and chemotherapy are seen as second-line treatment options for stage I, stage II, and stage III NSCLC. In addition to the aforementioned treatments, according to Frost & Sullivan, combination therapy serves as an additional second-line treatment option for Stage III NSCLC.

According to 2021 Chinese Society of Clinical Oncology (CSCO) NSCLC clinical practice guideline, surgical treatment, chemotherapy and radiotherapy play a leading role in the treatment of patients in the early stages. Targeted therapies are recommended for stage IV NSCLC patients.

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## INDUSTRY OVERVIEW

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In the case of NSCLC patients with EGFR mutations, the treatment paradigm is relatively well established compared to other subgroups. Small molecule targeted drugs known as EGFR-tyrosine kinase inhibitors (“TKIs”), such as osimertinib, are primarily recommended throughout the treatment process. Nevertheless, there is still room for improvement in the management of EGFR-mutated NSCLC, as drug resistance against EGFR-TKIs inevitably develops over time.

### *Competitive Landscape*

NSCLC remains one of the most difficult cancers to treat effectively. The five-year survival rate for NSCLC is approximately 25% globally, significantly lower than the overall five-year survival rate of 69% for all cancer types. The targeted therapies for NSCLC are usually mutation-specific and could become less effective toward newly emerged mutations.

Currently, EGFR tyrosine kinase inhibitors (EGFR-TKIs), a type of targeted therapy, are the recommended first-line targeted therapy option for patients with advanced EGFR mutation-positive NSCLC. EGFR-TKIs block the activity of the EGFR protein and, in turn, impede cancer cell growth. EGFR-TKIs are categorized into three generations, with the first and second generation targeting typically sensitive and moderately sensitive mutations of EGFR. However, they are not effective against EGFR T790M, a drug resistant mutation that could be effectively suppressed by third-generation EGFR-TKIs. As of the Latest Practicable Date, there were 13 innovative EGFR-TKIs for NSCLC treatment approved in China, including (i) four first-generation drugs; (ii) two second-generation drugs; and (iii) seven third-generation drugs. As of the same date, there were 14 third-generation EGFR-TKI candidates in clinical trial in China that could potentially compete with dosimertinib developed by Henan Genuine.

### *Main Challenges of NSCLS Treatment*

According to Frost & Sullivan, NSCLC accounts for approximately 85% of all lung cancer cases and is associated with a high mortality rate. In recent years, targeted therapy and immunotherapy have significantly improved the prognosis of advanced NSCLC, with a five-year overall survival (OS) rate reaching 20%-30%. Following their success in late-stage disease, these treatments have now been extended to the perioperative setting for early-stage and locally advanced NSCLC. However, resistance to targeted therapy remains a major challenge. The emergence of resistance mutations, such as EGFR T790M and MET amplification, limits the long-term efficacy of tyrosine kinase inhibitors (TKIs). Additionally, while pembrolizumab monotherapy achieves a five-year OS rate of 31.9% in NSCLC patients with high PD-L1 expression, the efficacy of immunotherapy is significantly reduced in those with low PD-L1 expression.

## INDUSTRY OVERVIEW

Distant metastases are also one of the key prognostic factors for NSCLC patients. Studies have shown that patients with metastases experience significantly shorter survival 6 months for brain metastases brain metastases present one of the most challenging treatment obstacles, not only reducing survival but also significantly impairing neurological function and quality of life.

### The Liver Cancer Drug Market

#### Overview

Liver Cancer is the growth and spread of unhealthy cells in the liver. Hepatocellular carcinoma (HCC) is the most common type of primary liver cancer, accounting for approximately 90.0% of all primary liver cancer incidence globally.

The global liver cancer incidence reached approximately 0.89 million in 2023. It is expected to increase to 1.06 million in 2030, representing a CAGR of 2.5% from 2023 to 2030. The liver cancer incidence in China reached approximately 0.38 million in 2023. It is expected to increase to 0.43 million in 2030, representing a CAGR of 2.1% from 2023 to 2030.

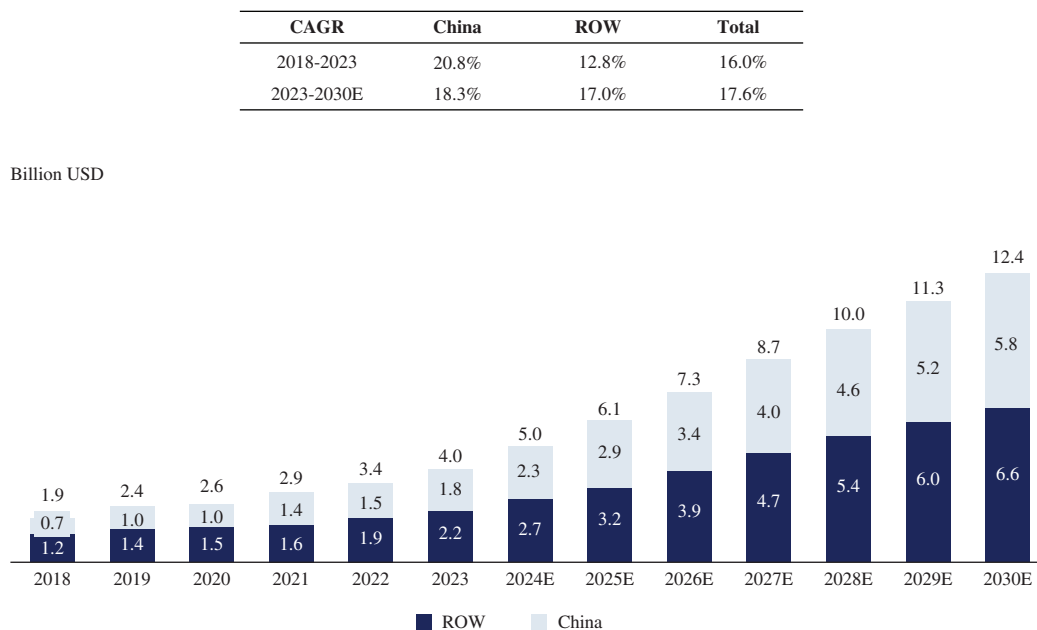
#### Global and China’s Liver Cancer Drug Market

The global liver cancer drug market reached US\$4.0 billion in 2023. It is expected to increase to US\$12.4 billion in 2030, representing a CAGR of 17.6% from 2023 to 2030.

China’s liver cancer drug market reached US\$1.8 billion in 2023. It is expected to increase to US\$5.8 billion in 2030, representing a CAGR of 18.3% from 2023 to 2030.

The following chart shows the historical and estimated market size for liver cancer drugs globally and in China:

**China and Global Liver Drug Market, 2018-2030E**



Source: Frost & Sullivan Analysis

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## INDUSTRY OVERVIEW

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### *Treatment Options for Liver Cancer*

According to Frost & Sullivan, liver resection and liver transplantation are viable treatment options for patients from stage Ia to stage IIb. Transcatheter arterial chemoembolization (TACE) is available for patients from stage Ib to stage IIIb, while radiation therapy and systematic anti-tumor therapy present as treatment options for patients from stage IIIa to stage IIIb.

### *Competitive Landscape*

As of February 10, 2025, there are 21 drugs approved by the NMPA for the indication of liver cancer, mainly including systemic chemotherapeutic drugs, molecularly targeted drugs, immunotherapeutic drugs and other innovative drugs.

Systemic chemotherapeutic drugs directly inhibit tumor cell proliferation and/or induce tumor cell apoptosis by affecting the structure and function of nucleic acids and proteins in tumor cells. There are four drugs approved for the indication of liver cancer, including oxaliplatin, mitoxantrone, mitomycin, and nimustine.

Molecularly targeted drugs mainly intervene in the treatment of key targets in the development of liver cancer pathophysiology. There are currently five drugs, namely donafenib, lenvatinib, apatinib, regorafenib, and sorafenib, which are all multi-targeted kinase inhibitors.

Immunotherapy drugs attack tumor cells by activating the patient’s own immune system. Currently, there are eight immunotherapy drugs approved for the treatment of liver cancer in China, including tislelizumab, carfilzomib, sintilimab, atezolizumab, pembrolizumab, ramucirumab and bevacizumab.

Among the current clinical pipeline of liver cancer drugs, there are eight drugs that have applied for marketing approval, 18 drugs in clinical phase III, 95 drugs in clinical phase II, and 111 drugs in clinical phase I.

### *Main Challenges of Liver Cancer Treatment*

For early and intermediate-stage liver cancer, surgical resection and local ablation (such as RFA and MWA) are primary treatment options, but recurrence rates remain high. Studies show that 5-year recurrence rates after liver cancer surgery reach 50%-70%, and even in early-stage cases, recurrence rates within 1 years are 20%. Microvascular invasion (MVI) is a major contributor to recurrence, with 40%-60% of resected tumor specimens showing MVI, significantly increasing postoperative recurrence risk. Although TACE is the standard treatment for intermediate-stage HCC, many patients are TACE-refractory, meaning their tumors continue to progress despite treatment. Additionally, many liver cancer patients have cirrhosis, and some of them are ineligible for surgery or local ablation due to poor liver function.

## INDUSTRY OVERVIEW

In recent years, targeted therapies (such as sorafenib and lenvatinib) and immunotherapies (such as PD-1/PD-L1 inhibitors) have significantly improved 5-year survival in advanced liver cancer, but the number still only 11%-15%, and drug resistance remains a major challenge. Some patients develop resistance to targeted drugs within a short period, leading to disease progression, while immunotherapy exhibits primary non-response or acquired resistance in a subset of patients. Furthermore, liver cancer is highly heterogeneous, making it difficult for a single drug or fixed regimen to be effective for all patients. Therefore, identifying more remains a key research focus.

### The Colorectal Cancer Drug Market

#### Overview

CRC, also known as bowel cancer, colon cancer, or rectal cancer, is any cancer that affects the colon and the rectum. Most CRCs develop first as polyps, which are abnormal growths inside the colon or rectum that may later become cancerous if they are not removed. The incidence of CRC ranked the third and the second among all malignant tumors worldwide and in China, respectively, in 2023.

The global colorectal cancer incidence reached approximately 2.03 million in 2023. It is expected to increase to 2.44 million in 2030, representing a CAGR of 2.7% from 2023 to 2030. The colorectal cancer incidence in China reached approximately 0.53 million in 2023. It is expected to increase to approximately 0.63 million in 2030, representing a CAGR of 2.4% from 2023 to 2030.

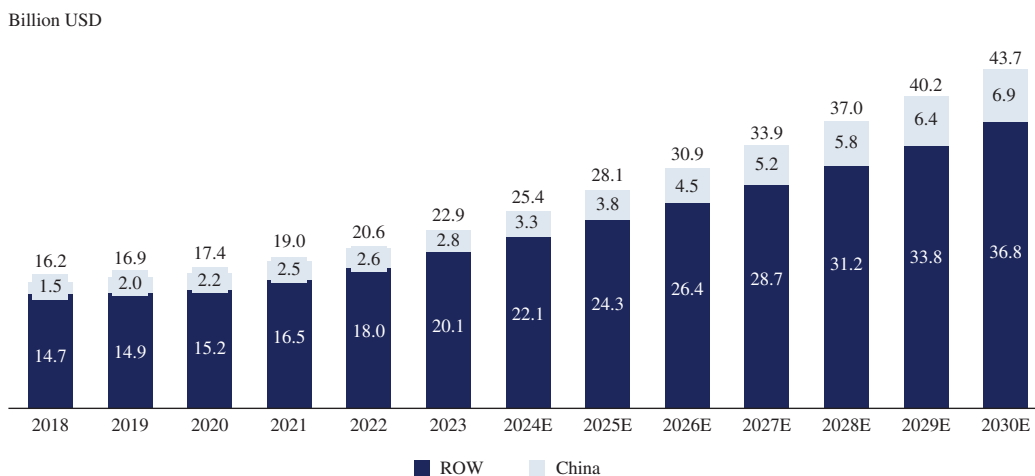
#### Global and China’s Colorectal Cancer Drug Market

The global colorectal cancer drug market reached US\$22.9 billion in 2023. It is expected to increase to US\$43.7 billion in 2030, representing a CAGR of 9.7% from 2023 to 2030. China’s colorectal cancer drug market reached US\$2.8 billion in 2023. It is expected to increase to US\$6.9 billion in 2030, representing a CAGR of 13.5% from 2023 to 2030.

The following chart shows the historical and estimated market size for colorectal cancer drugs globally and in China:

**China and Global CRC Drug Market, 2018-2030E**

CAGR	China	ROW	Total
2018-2023	13.1%	6.5%	7.2%
2023-2030E	13.5%	9.1%	9.7%



Source: Frost & Sullivan Analysis

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## INDUSTRY OVERVIEW

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### *Treatment Options for Colorectal Cancer*

According to Frost & Sullivan, surgery presents as a treatment option for colorectal cancers without metastases and some colorectal cancers with resectable metastases. Chemotherapy is also used in phase II, III, and IV colorectal cancers and is often used in combination with other treatment options, such as surgery and radiotherapy, in later stages of cancer. For phase IV colorectal cancer, which is known for the presence of metastases, immunotherapy also presents as a treatment option.

### *Competitive Landscape*

As of February 10, 2025, there are 21 drugs approved by the NMPA for colorectal cancer, which can be divided into systemic chemotherapeutic drugs, TKIs drugs that target the pathophysiological development of malignant tumors, and monoclonal antibody drugs.

There are 10 systemic chemotherapeutic drugs that treat cancer by directly killing colorectal cancer cells or inhibiting proliferation, including oxaliplatin, trifluridine + tipiracil, camptothecin, epirubicin, deoxyflurouracil, capecitabine, irinotecan, mitomycin, nimustine and leucovorin calcium.

TKIs inhibit the proliferation or metastasis of tumors by inhibiting the tyrosine kinase activity of colorectal cancer cells. There are currently two drugs in this category, namely fruquintinib and regorafenib.

Immunotherapy drugs are usually immune checkpoint inhibitors, and currently there are nine in total. Those currently on the market for colorectal cancer indications include pembrolizumab, sirtuximab, nivolumab, tislelizumab, pembrolizumab, nivolumab, ipilimumab, cetuximab and bevacizumab.

Among the new colorectal cancer drugs currently being researched in clinical trials, one has been applied for marketing, 25 are in clinical phase III, 114 are in clinical phase II, and 163 are in clinical phase I.

### *Main Challenges of Colorectal Cancer Treatment*

The high heterogeneity of colorectal cancer poses challenges for personalized treatment, including genetic mutations (e.g., KRAS and BRAF mutations) and epigenetic alterations. Additionally, drug resistance limits the long-term efficacy of existing therapies. For example, patients with KRAS mutations do not respond to anti-EGFR therapy, while those with BRAF V600E mutations generally have a poor prognosis and limited response to standard chemotherapy. Even if initial treatment is effective, tumors can develop resistance through various mechanisms, such as upregulating drug resistance genes and altering the tumor microenvironment, leading to disease progression and recurrence. Studies indicate that because of this characteristic of colorectal cancer tumors, the average 5-year survival rate of colorectal cancer in China is approximately 56.9% in China.



## INDUSTRY OVERVIEW

### *Future Trends of Colorectal Cancer Treatment*

With advancements in gene sequencing and biomarker research, precision medicine is driving personalized colorectal cancer treatment. Based on tumor genetic profiles (e.g., KRAS, NRAS, BRAF mutations, and MSI/MMR status), physicians can select suitable targeted therapies or immunotherapies. For instance, patients with BRAF V600E mutations may benefit from combination BRAF inhibitor therapy, while MSI-H/dMMR patients often respond well to immune checkpoint inhibitors like pembrolizumab. However, most microsatellite-stable (MSS) patients show limited response to immunotherapy, prompting research into new strategies such as CAR-T cell therapy, bispecific antibodies, tumor vaccines, and combination immunotherapies.

### **The Blood Cancer Drug Market**

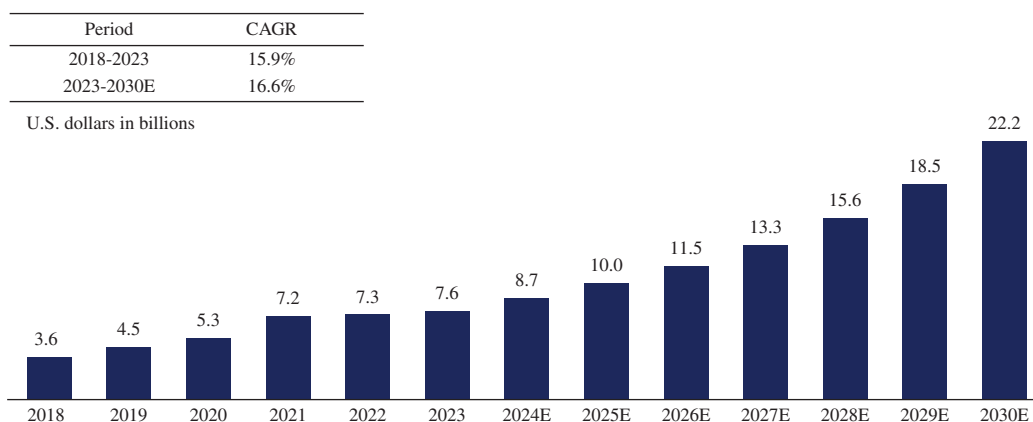
#### *Overview*

Blood cancers include lymphoma, multiple myeloma and leukemia. Leukemia can be further categorized into acute lymphocytic leukemia (ALL), acute myeloid leukemia (AML), chronic lymphocytic leukemia (CLL) and chronic myeloid leukemia (CML). New cases of major types of blood cancer (including lymphoma, multiple myeloma, and leukemia) in China reached 0.20 million in 2023. It is estimated to reach 0.23 million in 2030, with a CAGR of 1.7% from 2023 to 2030.

#### *China’s Blood Cancer Drug Market*

China’s blood cancer drug market has reached US\$7.6 billion in 2023, and is expected to reach US\$22.2 billion in 2030, representing a CAGR of 16.6%. The chart below sets forth the historical and estimated market size for the blood cancer drug market in China:

**Blood Cancer Drug Market in China, 2018-2030E**



Source: Frost & Sullivan analysis

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## INDUSTRY OVERVIEW

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### *Treatment Options for Blood Cancer*

According to Frost & Sullivan, chemotherapy is basic treatment for most types of blood cancers, including diffuse large B-cell lymphoma and Acute Myeloid Leukemia, and multiple myeloma. Chemotherapy is a cancer treatment where medicine is used to kill cancer cells. Chemotherapy can be divided into 6 main types, including alkylating agents, antimetabolites, platinum-based agents, anti-tumor antibiotics, phyto-genic agents and corticosteroids. Nucleoside analogues constitute an important class of antimetabolites used in the treatment of various blood cancers. Nucleoside analogues mimic physiological nucleosides in terms of uptake and metabolism and are incorporated into newly synthesized DNA resulting in synthesis inhibition and chain termination. Some of these drugs also inhibit key enzymes involved in the generation of the purine and pyrimidine nucleotides and RNA synthesis, leading to cell death. In addition to chemotherapy, surgery, induced therapy and automatopoietic stem cell transplantation are also available treatment options in some types of blood cancers such as multiple myeloma.

### *Competitive Landscape*

Currently, chemotherapy drugs are the standard treatment for blood cancer patients in China. Nucleoside analogues, which serve as effective chemotherapeutic drugs, suppress the growth and proliferation of cancer cells by penetrating the synthesized nucleic acid chain and causing chain termination. As of the Latest Practicable Date, there had been four NMPA-approved nucleoside analogue ingredients recommended by Chinese Society of Clinical Oncology (CSCO) for treatment of each of lymphoma and acute leukemia. However, as of the Latest Practicable Date, CSCO had not specifically recommended any nucleoside analogue ingredient for treatment of multiple myeloma.

### *Main Challenges of Blood Cancer Treatment*

Blood cancers can develop resistance to chemotherapy or targeted therapy, rendering cancer cells insensitive to existing drugs and leading to disease relapse. For instance, in acute myeloid leukemia (AML), patients have a 5-year overall survival (OS) rate of less than 30%, with relapse rates as high as 50%-70%. Even after allogeneic hematopoietic stem cell transplantation (allo-HSCT), 20%-50% of patients may still experience relapse. Additionally, in chronic myeloid leukemia (CML), 20%-30% of patients treated with first-generation tyrosine kinase inhibitors (TKIs) may experience treatment failure and less than 10% of patients may face disease progression within. Refractory and relapsed blood cancers remain major challenges, necessitating novel drug combinations and therapeutic strategies.

### *Future Trends of Blood Cancer Treatment*

The treatment of blood cancers is becoming increasingly refined through genomics, epigenetics, and multi-omics analyses, allowing clinicians to develop highly personalized therapeutic strategies. Beyond conventional risk stratification, future classifications will be more detailed. For example, in acute myeloid leukemia (AML), although TP53 mutations and

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## INDUSTRY OVERVIEW

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complex karyotypes are generally considered high-risk, their progression rates and treatment responses vary significantly. Patients with TP53-mutated and complex karyotype subtypes may require distinct therapeutic guidelines separate from other high-risk AML cases. Additionally, factors such as mutational burden, clonal evolution dynamics, and the tumor microenvironment will be integrated into risk assessment models to provide more precise prognostic predictions and tailored interventions. Artificial intelligence and big data analytics will further enhance classification accuracy and optimize treatment decision-making, ultimately improving outcomes in personalized medicine.

### **TOPO1 Inhibitors**

As of the Latest Practicable date, there were only two approved camptothecin-based TOPOI inhibitors in China, being (i) Sanofi’s irinotecan was approved in 2000 in China to treat colorectal cancer, and (ii) GSK’s Topotecan was approved in 2000 in China to treat ovarian epithelial cancer and small cell lung cancer. Currently, TOPOI inhibitors are often associated with considerable toxicity, side effects and risks for drug resistance, leaving substantial room for improvement. In recent years, camptothecin-based TOPOI inhibitors have emerged as one of the most promising classes of effective payloads for antibody-drug conjugates, as it has promising potentials in addressing many of the key challenges associated with camptothecin small molecules.

Over the past few decades, the most widely used TOPO1 inhibitor has been irinotecan, a camptothecin (a naturally occurring alkaloid found in many plants) derivative, which has become the standard chemotherapeutic agent and the backbone of various anti-tumor combination therapies. Irinotecan’s total sales in sample hospitals in China was approximately RMB338 million in 2023.

Camptothecin and its derivatives have been used as standard chemotherapeutic agents for more than 60 years. However, the improvement of camptothecin-based drugs has mainly focused on modifying the side chains of their parent nucleus without changing the five-ring planar structure of the core. As such, the existing drugs mostly share the same type of molecule. Camptothecin-based drugs face the problems of primary and post-treatment drug resistance, which is a shared challenge faced by the industry.

The success of Daiichi Sankyo’s HER2 targeting antibody drug conjugate, trastuzumab deruxtecan (DS-8201), has led to the trend of using DXD/irinotecan analogues as payloads. AstraZeneca has offered to pay Daiichi Sankyo up to US\$6.90 billion in total consideration, including US\$1.35 billion upfront payment and up to an additional US\$5.55 billion (contingent upon achievement of future regulatory and sales milestones as well as other contingencies).

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## INDUSTRY OVERVIEW

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### THE ACUTE ISCHEMIC STROKE DRUG MARKET

#### Overview

Acute ischemic stroke (AIS) is characterized by a sudden loss of blood circulation to an area in the brain, the corresponding lack of blood and oxygen supply resulting in nerve damage and loss of neurologic function. AIS occurs when blood flow through a brain artery is blocked by a clot, *i.e.*, a mass of thickened blood.

Patients with AIS need specific treatments to improve the blood flow in the affected area of the brain. It is crucial to provide proper treatment to AIS patients within 24 hours from symptom onset to avoid brain damage. The best treatment time for AIS is four to six hours since symptom onset. In addition to stroke drugs, invasive surgery may be operated on patients with severe symptoms but comes with a high risk of recurring stroke and disability post surgery.

#### China’s AIS Drug Market

In China, the incidence of AIS increased from 3.3 million in 2018 to 4.1 million in 2023, representing a CAGR of 4.8%. The incidence is expected to increase to 4.9 million in 2027 at a CAGR of 5.0% from 2023 to 2027 and to 5.7 million in 2030 at a CAGR of 5.1% from 2027 to 2030.

China’s AIS drug market decreased from US\$4.9 billion in 2018 to US\$2.7 billion in 2023. Such decrease is mainly due to regulatory restrictions on use of neurological drugs, or neuroprotectants, as a treatment for AIS. However, the market for other AIS therapeutic drugs with different mechanisms of action in China has not been affected by the restrictions and has maintained continuous growth, which is in line with the increasing number of AIS patients in China. As a result, the R&D of such novel therapeutic AIS drugs is expected to help China’s overall AIS drug market gradually recover and grow in the future, which is expected to increase to US\$3.7 billion in 2030 at a CAGR of 5.0% from 2023 to 2030.

#### Key Growth Drivers of China’s AIS Drug Market

*Increasing incidence.* The incidence of AIS in China has been increasing. Given the large patient pool and the improved healthcare system in China, it is expected that the diagnosis and treatment rate of AIS will continue to improve and further drive the growth of China’s AIS drug market.

*Increasing ischemic stroke trends among young population.* AIS is age-related with a higher prevalence for the elderly while a higher risk of stroke has been observed among young generations in China, primarily due to an increasing prevalence of coexisting traditional stroke risk factors and health risk behaviors including hypertension, diabetes, obesity, lipid disorders and tobacco use. As a result, it is expected that the number of AIS patients will continue to increase in the future.

*Limited options of effective drugs.* There are few AIS drugs that can effectively reduce the size of cerebral infarction (the death of brain tissue). Given the large patient population, the development of an innovative ischemic stroke drug that is both effective and safe is warranted.

## INDUSTRY OVERVIEW

### Competitive Landscape

As of the Latest Practicable Date, NBP had remained the only oral drug approved in China that is indicated for AIS with a mechanism of action of reconstructing microcirculation and maintaining mitochondrial function in the ischemic brain tissue. As of the same date, three drug candidates with the same mechanism were under development and two were in the Phase II clinical trial stage. Details of NBP and the three drug candidates are set forth in the table below:

#### Marketed drug for AIS treatment

Brand Name	Generic Name	Company	NMPA Approval Date
NBP (恩必普)	Butylphthalide	CSPC	September 30, 2002

#### Drug candidates for AIS treatment<sup>(1)</sup>

Drug Code	Company	Status	First Posted Date
XY03-EA	Yiling Pharmaceutical	Phase II/III	November 4, 2024
BZP	Ausun Pharmaceutical	Phase II	November 1, 2019
dl-PHPB	Yunnan Biovalley Pharmaceutical	Phase II	September 5, 2014
AAPB	Jiangsu Kanion Pharmaceutical	Phase I	September 20, 2024

Source: Frost & Sullivan analysis

Note:

- (1) The table only includes the drug candidates with the mechanism of reconstructing microcirculation and maintaining mitochondrial function in the ischemic brain tissue that had entered the clinical trial stage as of the Latest Practicable Date.
- (2) Data above were derived as of February 10, 2025.

### REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the [REDACTED], we commissioned Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the global and China biotech and pharmaceutical markets. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking and strategic and market planning for a variety of industries. The contract sum to Frost & Sullivan is RMB1,300,000 for the preparation of the industry report. The payment of such amount was not contingent upon our successful [REDACTED] or on the results of the report. Except for report, we did not commission any other industry report in connection with the [REDACTED]. Frost & Sullivan prepared its report based on its in-house database, independent third-party

## INDUSTRY OVERVIEW

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reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

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## REGULATORY OVERVIEW

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We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the principal PRC laws, rules and regulations that we believe are relevant to our business and operations.

### REGULATORY AUTHORITIES

In the PRC, the National Medical Products Administration, or the NMPA, which was previously known as China Food and Drug Administration, is the primary regulatory agency for pharmaceutical products and their businesses and regulates almost all of the key stages of the life-cycle of pharmaceutical products, including non-clinical studies, clinical trials, marketing licensure manufacturing, advertising and promotion, distribution, and pharmacovigilance (*i.e.* post-marketing safety reporting obligations). The Center for Drug Evaluation, or the CDE, which is a subsidiary under the NMPA, conducts the technical evaluation on each drug and biologic application to assess the safety and efficacy of each candidate.

The National Health Commission, or the NHC (formerly known by names of the Ministry of Health and National Health and Family Planning Commission), is the primary healthcare regulatory agency in China. It is responsible for overseeing the operation of medical institutions, some of which also serve as clinical trial sites.

Also, the Ministry of Commerce, or the MOFCOM, and the State Administration for Market Regulation, or the SAMR, are the main regulatory authorities on our PRC subsidiaries with regard to the foreign investment activities and business supervision.

### REGULATIONS RELATING TO DRUGS

#### Introduction

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

To implement the regulatory reform introduced by the Innovation Opinion, the National People's Congress, or the NPC and the NMPA have been revising the fundamental laws, regulations and rules regulating pharmaceutical products and the industry, which include the framework law known as the PRC Drug Administration Law (《中華人民共和國藥品管理法》), or the Drug Administration Law. The Drug Administration Law was promulgated by the Standing Committee of the NPC, or the SCNPC, on September 20, 1984 and latest amended on August 26, 2019 and took effect as of December 1, 2019. The State Council issued the Regulations for Implementation of the Drug Administration Law of the PRC (《中華人民共和



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## REGULATORY OVERVIEW

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國藥品管理法實施條例》), which was promulgated on August 4, 2002 and latest amended on December 6, 2024 and took effect as of January 20, 2025 to further implement the Drug Administration Law. The NMPA also set up a series of regulations to further implement the Drug Administration Law. Among them, the most important primary management measures regulating clinical trial applications, licensures, post-approval changes and renewals are called the Drug Registration Regulation (《藥品註冊管理辦法》), or the Drug Registration Regulation, which was amended by the SAMR on January 22, 2020 and effective from July 1, 2020.

### Non-clinical Studies

The NMPA requires preclinical data to support registration applications for imported and domestic drugs. According to the Drug Registration Regulation, non-clinical safety studies shall be carried out in an institution that has passed the certification of the Good Laboratories Practice of Non-clinical Laboratory and comply with the Administrative Measures for Good Laboratories Practice of Non-clinical Laboratory (《藥物非臨床研究質量管理規範》), or the GLP, which was issued by NMPA on July 27, 2017. The GLP has been promulgated to improve the quality of non-clinical safety evaluation studies. Pursuant to the Measures for Administration of Certification of the Good Laboratory Practice for Nonclinical Laboratory Studies (2023 Revision) (《藥物非臨床研究質量管理規範認證管理辦法》) issued by the NMPA on January 19, 2023 and became effective on July 1, 2023, the NMPA is responsible for the certification of non-clinical safety evaluation and research institutions nationwide and local provincial drug administrative department is in charge of the daily supervision of non-clinical safety evaluation and research institution. The NMPA decides whether an institution is qualified for undertaking pharmaceutical non-clinical research by evaluating such institution’s organizational administration, its research personnel, its equipment and facilities, and its operation and management of non-clinical pharmaceutical projects.

### Clinical Trial Approval

Before registering a new drug, a sponsor shall complete clinical trials according to the Drug Registration Regulation. To start the clinical trial, a sponsor needs to apply for clinical trial approval first, and the Administrative Regulations of Quality of Drug Clinical Practice (《藥物臨床試驗質量管理規範》), or the GCP, has been promulgated to further promote the research into good practice for clinical trials of drugs and enhance the quality thereof. The GCP was promulgated by NMPA on August 6, 2003 and amended by NMPA and NHC which came into effect on July 1, 2020. All clinical trials to be conducted in China for new drug registration purposes must be approved and conducted at pharmaceutical clinical trial institutions filed according to the Regulations on the Administration of Drug Clinical Trial Institutions (《藥物臨床試驗機構管理規定》) promulgated by NMPA and NHC on November 29, 2019.



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

### Overseas Clinical Trial

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

Pursuant to the Innovation Opinion, the clinical trial data obtained from overseas centers may be used to apply for drug registration in China if they meet the relevant requirements for the drug registration in China. For drugs first applied for NDA in China, registration applicants should provide clinical trial data on whether there are racial differences, if any.

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

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### Drug Clinical Trial Registration

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

### Human Genetic Resources Approval and Registration

On March 10, 2024, the State Council of PRC revised the PRC Administrative Regulations on Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》), or the Human Genetic Resource Regulation, which became effective on May 1, 2024, and the Interim Measures for the Administration of Human Genetic Resources was repealed at the same time. According to the Human Genetic Resource Regulation, human genetic resource includes human genetic resource materials and information. Human genetic resource materials refer to organs, tissues, cells and other genetic materials containing human genome, genes and other genetic materials. Human genetic resource information refers to information, such as data, generated by human genetic resources materials. The Human Genetic Resource Regulation formalized the approval requirements pertinent to research collaborations between Chinese and foreign-owned entities, under which, a new filing system (as opposed to the advance approval approach originally in place) is put in place for clinical trials utilizing China’s human genetic resources in order to obtain a market license for relevant drugs and medical devices at clinical institutions without involving the export of human genetic resources materials outside of China. Foreign organizations, individuals and institutions established or actually controlled by such foreign organizations or individuals are not allowed to collect or preserve human genetic resources in China or provide human genetic resources abroad.

The Ministry of Science and Technology promulgated the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》) in

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July 2015, according to which, if the sampling, collection or research activities of human genetic resources participated by a foreign-invested party fall within the scope of international cooperation, the cooperating organization of China shall apply for approval of the China Human Genetic Resources Management Office through the online system. On October 26, 2017, the Ministry of Science and Technology issued the Announcement on Optimizing the Administrative Examination and Approval of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》), which simplified the approval process for utilizing human genetic resources for the purpose of obtaining the marketing license of a drug in the PRC.

In October 2020, the SCNPC promulgated the Biosecurity Law of the PRC (《中華人民共和國生物安全法》), which became effective in April 2021 and was latest revised in April 2024. The Biosecurity Law of the PRC reaffirms the regulatory requirements stipulated by the Human Genetic Resource Regulation while potentially increasing the administrative fines significantly in cases where foreign entities are alleged to have collected, preserved, exported Chinese human genetic resources or used such resources in international clinical trial cooperation in violation of applicable laws.

### Scientific Data Management

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provide a broad definition of scientific data which includes data obtained from basic research, application research, pilot development and others in such areas as natural science and engineering technology science, and the original data as well as derivative data acquired via observation and monitoring, survey and investigation, and inspection and detection and used for scientific research activities.

According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret is transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. In addition, any scientific data involving a state secret, state security, social public interests, commercial secret or personal privacy may not be open and shared, or if indeed needed, the purpose, user’s qualification, conditions of confidentiality and other factors shall be reviewed, and the informed scope shall be strictly controlled. Besides, legal entities shall, according to the national administrative provisions governing network security, establish a support system for network security, use secure and reliable products and services, improve data management and control, attribute management, identity recognition, behavior retrospect, blacklist and other management measures, and improve the tamper-proofing, leak-proofing, anti-attacking and anti-virus security protection system.

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### Outbound Data Transfer

On July 7, 2022, the Cyberspace Administration of China, or the CAC, published Outbound Data Transfer Security Assessment Measures (《數據出境安全評估辦法》) that became effective on September 1, 2022 and outline the potential security assessment process for outbound data transfer. Under the Outbound Data Transfer Security Assessment Measures, data processors that provide important data and personal information outbound that are collected or produced through operations within the territory of the PRC, where a security assessment shall be conducted according to the law, shall apply to the provisions of these Measures. Under the Outbound Data Transfer Security Assessment Measures, data processors providing outbound data shall apply for outbound data transfer security assessment with the Cyberspace Administration in any of the following circumstances: (i) where a data processor provides important data abroad; (ii) where a critical information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information abroad; (iii) where a data processor has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total abroad since January 1 of the previous year; and (iv) other circumstances prescribed by the CAC for which declaration for security assessment for outbound data transfers is required. The Outbound Data Transfer Security Assessment Measures also provide procedures for security assessment and submissions, important factors to be considered in conducting assessment, and legal liabilities of a data processor for failure to apply for assessment.

On March 22, 2024, the CAC promulgated the Regulations on Improving and Regulating the Cross-Border Transfer of Data (《促進和規範數據跨境流動規定》), which provided implementation rules on the security assessment of outbound data transfer, the standard contract for outbound transfer of personal information, the certification of personal information protection and other systems governing the outbound transfer of data. Pursuant to the regulation, except as otherwise provided, (I) 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: (A) a critical information infrastructure operator provides personal information or important data abroad, (B) a data processor other than critical information infrastructure operator provides important data abroad, or has provided personal information (excluding sensitive personal information) of over 1,000,000 people or sensitive personal information of over 10,000 people abroad cumulatively since January 1 of the year; and (II) a data processor other than critical information infrastructure operator that has provided personal information (excluding sensitive personal information) of over 100,000 people and less than 1,000,000 people, or sensitive personal information of less than 10,000 people abroad cumulatively since January 1 of the year shall enter into a standard contract for outbound transfer of personal information with the receiver overseas or pass the certification of personal information protection in accordance with laws and regulations.

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### Clinical Trial Process and Good Clinical Practices

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

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

### New Drug Application, Approval and Renewal

According to the Drug Registration Regulation, an applicant shall, upon completion of studies including pharmacy, pharmacology and toxicology and clinical trial of drugs which support the registration of drug marketing, determination of quality standards, validation of commercial scale of manufacturing process, and well preparation to undergo examination and inspection for drug registration, submit an application for drug marketing authorization, and submit the relevant submission dossier in accordance with the submission requirements. The CDE shall organize pharmaceutical, medical and other technical personnel to comprehensively review the application for the safety, effectiveness and quality control of the drug. When the comprehensive review opinion is passed, the drug shall be approved for marketing and a drug registration certificate shall be issued. Under the Drug Registration Regulation, drugs are classified into traditional Chinese medicines (TCMs), chemical drugs, biological products and others. Registration of chemical drugs is classified into such categories as innovative chemical drugs, modified new chemical drugs, generic drugs, etc.

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The NMPA promulgated the China Food and Drug Administration Special Review and Approval Procedure for Drugs (《國家食品藥品監督管理局藥品特別審批程序》) in November 2005, according to which, the NMPA may legally decide to conduct special review and approval procedure on the certain drug needed in responding to a public health emergency when: (1) the president of the PRC announces the emergent state, or the State Council decides partial areas within a province, autonomous region, or municipality directly under the Central Government to be under the emergent state; (2) the procedures for responding to the public health emergency are started up in accordance with the law; (3) the pharmaceutical reserve department or the health administrative department of the State Council proposes to conduct special examination and approval of drugs for which there have already been national standards; and (4) other circumstances under which the special examination and approval procedure is needed.

According to the Review Procedures for Breakthrough Therapy Designation (for Trial Implementation) (《突破性治療藥物審評工作程序(試行)》), which was promulgated by the NMPA in July 2020, during the clinical trials of drugs, for innovative drugs or modified new drugs that are used for prevention and treatment of diseases that seriously endanger life or seriously affect the quality of life, for which there are no effective prevention and treatment methods or for which there is sufficient evidence showing obvious clinical advantages as compared with existing treatment methods, applicants may apply for the application of the procedures for breakthrough therapy designation during Phase I or II clinical trials, usually no later than the Phase III clinical trials. In the meantime, according to the Priority Review and Approval Procedures for Drug Marketing Authorizations (for Trial Implementation) (《藥品上市許可優先審評審批工作程序(試行)》), an applicant for drug marketing authorization may apply for priority review and approval procedures for drugs that have been included in the procedures for breakthrough therapy designation.

According to the Announcement on Matters Concerning the Optimization of Drug Registration Review and Approval (《關於優化藥品註冊審評審批有關事宜的公告》) jointly issued by the NMPA and the NHC in May 2018, the CDE will prioritize the allocation of resources for review, inspection, examination and approval of registration applications that have been included in the scope of priority review and approval so as to speed up review and approval.

The Drug Registration Regulation provides more detailed on standards, procedures and policy supports for different drugs to accelerated drug marketing registration, which include breakthrough therapy procedure, conditional approval, priority review and approval and special review procedure. For example, an innovative drug or improved new drug used for prevention and treatment of life-threatening illnesses or illnesses which have a serious impact on quality of life and for which there is no other effective prevention and treatment method or there is adequate evidence to prove that the said innovative drug or improved new drug has obvious clinical advantages over existing treatment approach(es), the applicant may apply for breakthrough therapy procedure.



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

Pursuant to the Drug Registration Regulation, the validity period of a drug registration certificate shall be five years. The drug marketing authorization holder of the drug registration certificate shall ensure the safety, effectiveness and quality control of the marketed drug at all times during the validity period of the certificate and apply for re-registration of the drug six months before the expiry of such validity period. After an application for re-registration is accepted, the local provincial drug administrative department or the CDE shall conduct post-marketing drug reevaluation and adverse reaction monitoring for the drug marketing authorization holder, carry out relevant work according to the drug approval certificate and the requirements of the medical products administrative department, conduct review according to the changes in the information specified in the drug approval certificate documents, and approve re-registration and issue a notice on approval for re-registration where the provisions are complied with. Where the provisions are not complied with, re-registration shall be disapproved, and it shall be reported to the NMPA for cancellation of the drug registration certificate.

### **Drug Manufacturing**

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

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These drug manufacturing facilities shall comply with drug manufacturing quality management norms, establish a sound drug manufacturing quality management system and ensure the whole drug manufacturing process continuously comply with statutory requirements. The drug marketing authorization holder shall establish a quality assurance system for pharmaceuticals, employ designated personnel to be independently in charge of quality control for pharmaceuticals.

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 NMPA on August 14, 2014, or Contract Manufacturing Regulations, in the event a drug manufacturer in China that has obtained a drug marketing authorization temporarily lacks manufacturing conditions as a result of technology upgrade or is unable to ensure market supply due to insufficient manufacturing capabilities, it can entrust the manufacturing of that drug to another domestic drug manufacturer. Such contract manufacturing arrangements need to be approved by the provincial branch of the NMPA. The Contract Manufacturing Regulations prohibit the contract manufacturing arrangement of certain special drugs, including but not limited to narcotic drugs, psychoactive drugs, biological products, multi-component biochemical drugs and APIs.

### Drug Operation

As required by Measures for the Quality Supervision and Administration of the Distribution and Use of Medicinal Products (《藥品經營和使用質量監督管理辦法》) which was promulgated by the SAMR on September 27, 2023, operation of drug business, including drug wholesale and drug retail, is prohibited without a Drug Business Permit. A Drug Business Permit shall state the validity period and the scope of business and be subject to review and reissuance upon expiry of the validity period.

Pursuant to Good Manufacturing Practice for Drugs (2010 version) (《藥品生產質量管理規範(2010年版)》), which was promulgated by the Ministry of Health in January 2011 and became effective in March 2011, drug business operators shall comply with the drug operation quality management norms, establish and improve their business operation quality management system, and ensure that the whole drug business process continuously complies with statutory requirements.

In China, governmental pricing controls on drugs (other than narcotic and certain psychiatric drugs) have been lifted since June 2015 when the Opinions on Advancing Drug Price Reform (《推進藥品價格改革意見》) came into effect. Instead of direct governmental controls, the government exercises control over the drugs through establishing a centralized tender process or centralized procurement mechanism, revising the National Reimbursement Drug List (國家醫療保險藥品目錄) or provincial medical insurance drug catalogues and strengthening regulation of medical and pricing practices. Also, according to the Opinions of the State Council on the Reform of Review and Approval System for Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》) promulgated by the State Council in August 2015, enterprises which apply for the registration of new drugs should promise that the prices of their products on the PRC market should not be higher than the comparable market prices in country of origin or the surrounding area of the PRC.



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### Regulations on Two-Invoice System

According to the Implementing Opinions on Promoting the “Two-Invoice System” for Drug Procurement By Public Medical Institutions (For Trial Implementation) (《關於在公立醫療機構藥品採購中推行“兩票制”的實施意見(試行)》) issued on December 26, 2016, or the Two-Invoice System Notice, the Two-Invoice System refers to a system that requires one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other invoice to be issued from pharmaceutical distributors to medical institutions. According to the Dual Invoicing System Notice and the Several Opinions of the General Office of the State Council on Further Reform and Improvement in Policies of Drug Production, Circulation and Use (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》) issued on January 24, 2017, the Two-Invoice System would be promoted in pilot provinces (autonomous regions and municipalities directly under the central government) involved in the comprehensive medical reform program and pilot cities for public hospital reform on a priority basis.

### Monitoring Periods for New Drugs

According to the Regulations for Implementation of the Drug Administration Law of the PRC, the NMPA may, for the purpose of protecting public health, provide for an administrative monitoring period of not more than five years for new drugs approved to be manufactured to continually monitor the safety of such new drugs. During the monitoring period of a new drug, no approval shall be granted to any other manufacturer to produce or import the said drug.

### Regulations on Centralized Procurement

On January 17, 2009, the Ministry of Health, together with other 5 departments, issued Opinions on Further Regulating Centralized Procurement of Medical Institutions (《進一步規範醫療機構藥品集中採購工作的意見》), which promoted the comprehensive implementation of online drug procurement in a centralized manner directed by government.

In November 2018, the Joint Procurement Office of the State Council published the Papers on Drug Centralized Procurement in “4+7 Cities” (《4+7城市藥品集中採購文件》), which launched the national pilot scheme for centralized volume-based drug procurement in the public medical institutions. The pilot scheme will be carried out in 11 cities, including Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi’an, the 4+7 Cities. On January 1, 2019, the General Office of the State Council also published the Notice of the General Office of the State Council on the Promulgation of the Pilot Program for Centralized Drug Procurement and Use Organized by the State (《國務院辦公廳關於印發<國家組織藥品集中採購和使用試點方案>的通知》), which provides detailed measures for the implementation of the national pilot scheme for centralized volume-based drug procurement in the 4+7 Cities.

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On the basis of the centralized volume-based drug procurement implemented by 4+7 cities, the Joint Procurement Office issued The Document for Centralized Drug Procurement in the Alliance area (GY-YD2019-1) (《聯盟地區藥品集中採購文件(GY-YD2019-1)》) in September 2019, according to which the alliance area includes the provinces and autonomous regions of Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Anhui, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Sichuan, Guizhou, Yunnan, Xizang, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang (including Xinjiang Production and Construction Army Unit) other than the 4+7 cities.

The State promoted the centralized volume-based drug procurement nationwide in December 2019. According to the Implementing Opinions on Expanding the Pilot Program for Conducting Centralized Procurement and Use of Drugs by the State to Wider Areas (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》) promulgated and became effective on September 25, 2019, together with the Documents on National Centralized Drug Procurement (GY-YD2019-2) (《全國藥品集中採購文件(GY-YD2019-2)》) issued by the Joint Procurement Office on December 29, 2019 to launch the second batch of state-organized centralized volume-based drug procurement, the model of centralized procurement in the pilot program would be promoted nationwide and all manufacturers (including drug marketing authorization holders) of drugs within the scope of centralized procurement marketed in China, with the approval of the medical products administration, may participate in the pilot program. The Notice on the Commencement of the Second Batch of State Organized Centralized Drug Procurement and Use (《關於開展第二批國家組織藥品集中採購和使用工作的通知》) was issued on January 13, 2020 and became effective on the same date, according to which the second batch of national organization of centralized procurement and use of drugs will no longer be carried out in selected areas but nationwide with all public medical institutions and military medical institutions shall be involved, and social medical institutions and retail pharmacies designated by medical insurance can be involved voluntarily.

In order to comprehensively deepen the reform and establish a standardized and normalized mode of centralized volume-based drug procurement and use, the Joint Procurement Office issued the Documents on National Centralized Drug Procurement (GY-YD2020-1) (《全國藥品集中採購文件(GY-YD2020-1)》) on July 29, 2020 and launched the third batch of State organizations for the centralized volume-based drug procurement.

In 2021, to normalize the carrying out of the national organization centralized purchasing and use, based on Opinions of the General Office of the State Council on Promoting the Centralized Volume-based Procurement of Drugs in a Normalized and Institutionalized Manner (《國務院辦公廳關於推動藥品集中帶量採購工作常態化制度化開展的意見》), which came into effect from January 22, 2021, the fourth and fifth batches of State organizations for the centralized volume-based drug procurement were launched successively. Accordingly, the Documents on National Centralized Drug Procurement (GY-YD2021-1) (《全國藥品集中採購文件(GY-YD2021-1)》) and Documents on National Centralized Drug Procurement (GY-YD2021-2) (《全國藥品集中採購文件(GY-YD2021-2)》) came into effect on January 15, 2021 and June 2, 2021 respectively.

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In June 20, 2022, the Documents on National Centralized Drug Procurement (GY-YD2022-1) (《全國藥品集中採購文件(GY-YD2022-1)》) was issued and the seventh batch of State organizations for the centralized volume-based drug procurement was officially launched.

In 2023, the Documents on National Centralized Drug Procurement (GY-YD2023-1) (《全國藥品集中採購文件(GY-YD2023-1)》) and the Documents on National Centralized Drug Procurement (GY-YD2023-2) (《全國藥品集中採購文件(GY-YD2023-2)》) were issued on March 2 and October 13, the eighth and ninth batches of State organizations for the centralized volume-based drug procurement were launched successively.

In November 22, 2024, the Documents on National Centralized Drug Procurement (GY-YD2024-2) (《全國藥品集中採購文件(GY-YD2024-2)》) was issued and the tenth batch of State organizations for the centralized volume-based drug procurement was officially launched.

### Drug Advertisements

The PRC Advertising Law (《中華人民共和國廣告法》), as recently amended and became effective on April 29, 2021, outlines the regulatory framework for the advertising industry. Advertisers, advertising agents and advertising publishers are required to ensure that the contents of the advertisements they prepare or distribute are true and in full compliance with applicable laws and regulations. For advertisement of drugs, the advertisement contents shall be examined by the relevant authorities prior to the publishing. 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》) promulgated by SAMR on December 24, 2019 and became effective from March 1, 2020, advertisements for drugs shall not contain any false or misleading contents. Advertisers shall be responsible for the veracity and legitimacy of the contents of advertisements for drugs, medical devices, health food and formula food for special medical purposes.

### Drug Recalls

According to the Measures on Drug Recall (《藥品召回管理辦法》) effective from November 1, 2022, a marketing authorization holder should establish and improve its recall system by collecting relevant information about drug safety and conducting investigation and evaluation with respect to the drugs with potential safety hazards. If there are any potential safety hazards that endanger human health and life safety in respect of any drugs sold in PRC, such manufacturer must start the drug recall procedures. Where a drug is recalled, the drug operating and using institutions should assist such marketing authorization holder to satisfy its recall obligations by communicating the drug recall information and any feedback, controlling and recovering such drugs according to the recall plan.

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### REGULATIONS RELATING TO NATIONAL MEDICAL INSURANCE PROGRAM

Pursuant to the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (《關於印發<城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見>的通知》) promulgated on June 30, 1999, part of the fees of diagnostic and treatment devices and diagnostic tests would be paid through the basic medical insurance scheme. Detailed reimbursement coverage and rate are subject to provincial local policies. Pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《國務院關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) issued by the three ministries of the State Council including the Ministry of Health on January 16, 2003, the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) issued by the State Council on July 10, 2007, and the Opinions on Integrating the Basic Medical Insurance Systems 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 on January 3, 2016, all employees and residents in rural and urban areas would be involved in the medical insurance program.

The General Office of the State Council further released the Guiding Opinions of the General Office of the State Council on Further Deepening the Reform of the Payment Method of Basic Medical Insurance (《國務院辦公廳關於進一步深化基本醫療保險支付方式改革的指導意見》) in June 2017. The main objectives are to implement a diversified reimbursement mechanism including diagnosis related groups, per-capita caps, and per-bed-day caps. Local administration of healthcare security will introduce a total budget control for their jurisdictions and decide the amount of reimbursement to public hospitals based on hospitals' performance and the spending targets of individual basic medical insurance funds.

### REGULATIONS RELATING TO PRODUCT LIABILITY

In addition to the strict drug approval process, certain PRC laws have been promulgated to protect the rights of consumers and to strengthen the control of medical products in the PRC. Under current PRC law, manufacturers and vendors of defective products in the PRC may incur liability jointly for loss and injury caused by such products. According to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated in May 2020 and became effective in January 2021, a defective product which causes property damage or physical injury to any person may subject the manufacturer or vendor of such product to civil liability for such damage or injury. If a patient suffers damage due to defects in drugs, he may seek compensation from the drug marketing authorization holder or also from the medical institution. Where the patient seeks compensation from the medical institution, the medical institution, after it has made the compensation, shall have the right to recover the compensation from the liable drug marketing authorization holder.

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In February 1993, the Product Quality Law of the PRC (《中華人民共和國產品質量法》), or the Product Quality Law, was promulgated aiming to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. The Product Quality Law was latest revised in December 2018. According to the revised Product Quality Law, manufacturers who produce defective products may be subject to civil or criminal liability and have their business licenses revoked.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), or the Consumer Protection Law, was promulgated in October 1993 and amended in August 2009 and October 2013 to protect consumer rights when they purchase or use goods and services. According to the Consumer Protection Law, all business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the latest amendment, all business operators shall protect the customers' privacy and keep any consumer information they obtain during the business operation strictly confidential. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

### LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

Since the early 1990s, the legislative authorities at different levels in China have promulgated certain laws and regulations in respect of commercial bribery. According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), or the Anti-Unfair Competition Law, which was most recently amended on April 23, 2019, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

According to the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), which was promulgated by the State Administration for Industry and Commerce, which was replaced by the SAMR, on November 15, 1996, commercial bribery refers to an act of offering money or property or using other means by an operator to the other entity or individual for the purposes of selling or buying goods, among which "other means" refer to the means used to provide any types of benefits other than money or property, such as offering overseas or domestic travel. According to the Anti-Unfair Competition Law and the Interim Provisions on the Prohibition of Commercial Bribery, regulatory authorities may impose fines depending on the seriousness of the cases and if there is any illegal income, such income shall be confiscated.

Pursuant to the Regulations on the Establishment of Adverse Records with Respect to Commercial Briberies in the Medicine Purchase and Sales Industry (2013 revision) (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) enforced on March 1, 2014 by the National Health and Family Planning Commission, the enterprises manufacturing and operating drugs, medical equipment and medical supplies, and the agencies as well as individuals thereof, which



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bribe the employee(s) of the medical and health institutions procuring and using their drugs, medical equipment or medical supplies with property or other benefits, shall be included into the Adverse Records of Commercial Bribery if they satisfy any of the circumstances as described in the above-mentioned regulation. If medical production and operation enterprises are listed into the Adverse Records of Commercial Bribery more than once in five years, their products shall not be purchased by all public medical institutions and medical and health institutions receiving financial subsidies nationwide for two years since the publication of the record.

Besides, according to the Anti-Unfair Competition Law, trade secrets refer to business information that is unknown to the public, has commercial value and is maintained as a secret by its legal owners or holders. Business persons are prohibited from infringing others' trade secrets. If a third party knows or should have known of the infringement 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.

### LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

#### Foreign Investment

Investment activities in the PRC by foreign investors are principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2024 version) (《外商投資准入特別管理措施(負面清單)(2024年版)》), or the Negative List, and Catalogue of Industries for Encouraging Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》), or the Encouraging List. The Negative List, which came into effect on November 1, 2024, sets out special administrative measures in respect of the access of foreign investments in a centralized manner, and the Encouraging List which came into effect on January 1, 2023, sets out the encouraged industries for foreign investment.

The China Securities Regulatory Commission, or the CSRC, the State Administration of Foreign Exchange, or the SAFE, the MOFCOM and three other PRC governmental and regulatory agencies promulgated the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》), or the M&A Rules, on August 8, 2006, as later amended on June 22, 2009, governing the mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules, among other things, require that if a domestic company, domestic enterprise, or a domestic individual, through an offshore company established or controlled by it/him/her, acquires a domestic company which is affiliated with it/him/her, an approval from the MOFCOM is required.

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### Foreign-Invested Enterprises

On December 29, 1993, the SCNPC issued the PRC Company Law (《中華人民共和國公司法》), or the Company Law, which was latest amended on December 29, 2023 and became effective on July 1, 2024. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares, including foreign-invested companies.

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law, promulgated by the NPC on March 15, 2019 and came into effect as of January 1, 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, Sino-foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) and Sino-foreign Cooperative Joint Ventures Law of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed since January 1, 2020, and organization form and structure and operation of foreign-invested companies are all subject to the Company Law and other applicable laws.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect in January 2020 and forms specific operable and detailed rules for the Foreign Investment Law. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulations on Implementing the Sino-Foreign Equity Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

According to the Foreign Investment Law, a foreign investment information report system is established in the PRC. On December 30, 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities of the foreign investors directly or indirectly in PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

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### REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING

The CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Overseas Listing Trial Measures, and five relevant guidelines on February 17, 2023, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies’ securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering 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. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Moreover, upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence and public disclosure of the event: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. Where an issuer’s main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within 3 working days after occurrence of the changes.



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On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《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》), or the Provision on Confidentiality, which took effect on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State.

### LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND FIRE PREVENTION

#### Environment Protection

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

#### Environmental Impact Appraisal

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

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

The Construction Environmental Protection Rule also requires that upon completion of construction for which an environment impact report or environment impact statement is formulated, the constructor shall conduct acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, formulate the acceptance inspection report, and announce the acceptance inspection report pursuant to the law except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the State. Where the environmental protection facilities have not undergone acceptance inspection or do not pass acceptance inspection, the construction project shall not be put into production or use.

### **Urban Drainage and Sewage Treatment**

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

### **Fire Prevention Design and Acceptance**

The Fire Prevention Law of the PRC (《中華人民共和國消防法》), or the Fire Prevention Law, was adopted on April 29, 1998 and latest amended on April 29, 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the

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construction needs. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020 and amended on August 21, 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

### LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITY

#### Employment

The major PRC laws and regulations that govern employment relationships are the Labor Law of the PRC (《中華人民共和國勞動法》), or the Labor Law, issued by the SCNPC on July 5, 1994, effective on January 1, 1995 and revised on August 27, 2009 and December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), or the Labor Contract Law, which was promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was issued by the State Council on September 18, 2008 and came into effect on the same day. According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure their employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

#### Social Security

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which issued by the SCNPC on October 28, 2010 and came into effect on July 1, 2011 and was newly revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to rectify within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. If the employer fails to pay social insurance contributions on time and in full, the social insurance agency shall place an order with the employer demanding full payment

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within a prescribed period, and an overdue payment at the rate of 0.05% per day shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be demanded by the authoritative administrative department. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (issued by the State Council on January 22, 1999 and came into effect on the same day and was recently revised on March 24, 2019) prescribes the details concerning the social securities.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the Regulations on Work-Related Injury Insurance (《工傷保險條例》) (issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010), the Regulations on Unemployment Insurance (《失業保險條例》) (issued by the State Council on January 22, 1999 and came into effect on the same day), the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) (issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995). Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

### **Housing Provident Fund**

According to the Regulations Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), implemented since April 3, 1999 and amended on March 24, 2002 and March 24, 2019, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as of its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center.

Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity fails to make payment of housing provident fund within the time limit or has a shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

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### LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

#### Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》), or the PRC Patent Law, promulgated by the SCNPC on March 12, 1984 and effected on April 1, 1985 and further amended on September 4, 1992, August 25, 2000, December 27, 2008, October 17, 2020 and came into effect on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau on January 19, 1985 and last amended on December 11, 2023 by the State Council and came into effect on January 20, 2024, the term “invention-creations” refers to inventions, utility models and designs. The duration of a patent right shall be 20 years for inventions, 10 years for utility models and 15 years for designs, all commencing from their respective application date. According to the PRC Patent Law, for public health purposes, the patent administrative department under the State Council of the PRC may grant a compulsory license for manufacturing patented drugs and exporting them to countries or regions covered under relevant international treaties to which PRC has acceded. In addition, pursuant to the PRC Patent Law, for the purpose of compensating for the time taken to evaluate and get a new drug approved and marketed, the patent administrative department under the State Council would grant compensation for the duration of patent rights for the invention of a new drug approved to be put on the market in China upon request of the patentee. The compensation period shall not exceed five years, and the total validity period of patent rights for a new drug after being approved for marketing shall not exceed 14 years.

According to the PRC Patent Law, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner and pay patent royalties to the patent owner. Pursuant to the Measures for the Filing of Patent Exploitation License Contracts (《專利實施許可合同備案辦法》) promulgated by the State Intellectual Property Office on June 27, 2011 and became effective on August 1, 2011, the parties under the license shall complete filing formalities within three months from the effective date of a patent licensing contract.

#### Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, the Implementation Regulations of the Trademark Law of PRC (《中華人民共和國商標法實施條例》) which was issued on August 3, 2002 and amended on April 29, 2014, the Trademark Office under the State Administration for Industry and Commerce of the PRC, or the Trademark Office, shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for an additional ten-year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a “first-to-file” principle with respect to trademark registration. Where an application for a trademark for which application for registration has been made is identical or similar to another trademark that has already been registered or is under preliminary examination and approval for use on

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the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licensor shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

### Domain Names

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which was issued by the Ministry of Industry and Information Technology on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Industry and Information Technology is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of “first apply, first register”.

### Copyright

The SCNPC adopted PRC Copyright Law (《中華人民共和國著作權法》) in 1990 and most recently amended in 2020, with its implementing rules adopted in 1991 and most recently amended in 2013 by PRC State Council. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. According to the aforementioned law and regulation, the term of protection for the right of publication of a work is fifty years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》), which was most recently amended on January 30, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers. In order to further implement the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, the National Copyright Administration issued the Registration of Computer Software Copyright Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration with respect to software copyright.



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## REGULATORY OVERVIEW

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### LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT AND DIVIDEND DISTRIBUTION

#### Foreign Exchange and Overseas Investment

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

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

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

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## REGULATORY OVERVIEW

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According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19 promulgated on March 30, 2015, coming into effect on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to directly or indirectly provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which was amended on December 4, 2023. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from the foreign exchange may not be used to extend loans in RMB or repay inter-company loans (including advances by third parties).

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

Pursuant to the Circular of Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents Conducting Overseas Investment and Financing and Round-Trip Investments Through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the Circular 37, which was promulgated by the SAFE and became effective on July 4, 2014, a PRC resident shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or the Overseas SPV, that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing. Following the initial registration, if there is any change in the basic information of the Overseas SPV, such



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## REGULATORY OVERVIEW

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as the PRC resident individual shareholder, name, term of business, or a significant change such as increase or reduction of capital contribution, equity transfer or exchange by the PRC resident individual, merger or division, foreign exchange registration change formalities shall be promptly completed with the foreign exchange bureau. Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment Related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or the Circular 13, which was promulgated on February 13, 2015 and became effective on June 1, 2015, the above-mentioned registration will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and has opened the capital account information system at the foreign exchange regulatory authorities in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

### Dividend Distribution

The SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《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》) in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits exceeding USD50,000 from domestic entities to offshore entities, including the following: (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

## LAWS AND REGULATIONS RELATING TO TAXATION

### Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, promulgated by the NPC on March 16, 2007, came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, as well as the Implementation Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》), or the EIT Implementation Rules, promulgated by the State Council on December 6, 2007, came into force on January 1, 2008 and last amended on December 6, 2024, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and the EIT Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived

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## REGULATORY OVERVIEW

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incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

### **Withholding Tax**

Pursuant to the EIT Law and the EIT Implementation Rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. According to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) effective from December 8, 2006, dividends repatriated from a PRC entity to its Hong Kong shareholder owning more than 25% of capital would be entitled to a reduced withholding tax rate of 5% subject to certain conditions.

The State Taxation Administration, or the SAT, issued the Administrative Measures on Entitlement of Non-residents to Treatment under Treaties (《非居民納稅人享受協定待遇管理辦法》) on October 14, 2019 and effective on January 1, 2020, which applies to non-resident taxpayers who have tax liability in China and need to claim treaty benefits. Non-resident taxpayers enjoying their tax treaty benefits shall adopt the method of "self-assessment, claims by declaration and retention of the relevant materials for future inspection". Non-resident taxpayers who make their own declaration shall make a self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant reports, statements and materials as required, and simultaneously collect and retain the relevant materials for future inspection. Also, tax authorities at any level shall, through strengthening follow-up administration for non-resident taxpayers' entitlement to tax treaty benefits, implement tax treaties accurately and prevent risks of indiscriminately application of tax treaties, tax evasion and tax avoidance.

### **Value-Added Tax**

The major PRC law and regulation governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (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稅暫行條例實施細則》) (issued on December 25, 1993 by the Ministry of Finance, or 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

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## REGULATORY OVERVIEW

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services, sale of services, intangible assets, immovables 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. Unless otherwise required, the rate of VAT shall be 17%.

On March 23, 2016, the MOF and the SAT issued the Notice of the Ministry of Finance and the State Taxation Administration on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which was recently revised on March 20, 2019, under which the rate of VAT shall be (1) 11% for providing transportation, postal, basic telecommunication, construction services, leasing of immovables, sale of immovables and transfer of land use right; (2) 17% for providing leasing services of tangible movables; (3) zero for cross-border taxable acts of entities or individuals in China, and the specific scope shall be separately stipulated by the State Council; and (4) 6% for the items other than those stipulated above.

With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the SAT issued the Notice of the MOF and the SAT on Adjusting VAT Rates (《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 that 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%.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OVERVIEW

We are an innovation- and R&D-driven biotech company dedicated to the development, manufacturing and commercialization of novel drugs for the treatment of viral infections, oncological and cardio-cerebrovascular diseases. Our history can be traced back to 2012, when our first operating subsidiary, Henan Genuine, was established in Henan. Leveraging our advanced technology platform and strong R&D capabilities, we have built a broad and competitive product pipeline, especially in the field of antiviral and anti-tumor drugs. Our Core Product, azvudine, a Class 1.1 innovative drug, was conditionally approved by the NMPA for the treatment of HIV infection and COVID-19 in July 2021 and July 2022, respectively. Azvudine was the first NMPA-approved oral antiviral treatment for COVID-19 developed by a Chinese company, demonstrating outstanding efficacy in treating viral infections. With its unique dual target mechanism of action, azvudine has become the world’s first HIV infection treatment option for the dual-targeted inhibition of nucleoside reverse transcriptase and the Vif inhibitor. We are also continuously expanding its applications into new indications and combination treatment.

### KEY MILESTONES

The following sets forth of our Group’s key business development milestones.

<b>Year</b>	<b>Milestone events</b>
2012	Henan Genuine, our principal operating subsidiary, was established in September 2012.
2013	We submitted an IND clinical trial application for azvudine for treatment of HIV infection and received approval from the NMPA for the commencement of a Phase I clinical trial for azvudine for treatment of HIV infection in the PRC in April 2013.
2014	We commenced the Phase I clinical trial for azvudine for treating HIV in the PRC in July 2014.
2015	We completed the Phase I clinical trial for azvudine for treating HIV in the PRC in June 2015.  We received approval from the NMPA to conduct a Phase II clinical trial for azvudine for treating HIV in the PRC in December 2015.
2017	We commenced the Phase II clinical trial for azvudine for treating HIV in the PRC in October 2017.
2019	We completed the Phase II clinical trial for azvudine for treating HIV in the PRC in January 2019.
2020	Shenzhen Genuine was established in January 2020.  We received approval from the NMPA to conduct a Phase I/Phase II clinical trial for dosimertinib for treating advanced EGFR mutation-positive non-small cell lung cancer (NSCLC) in the PRC in April 2020.  We submitted an IND application to the NMPA to directly initiate a Phase III clinical trial for azvudine for treating COVID-19 in the PRC, received approval in April 2020 and commenced the Phase III clinical trial in June 2020.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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<b>Year</b>	<b>Milestone events</b>
2021	<p>We authorized Beijing Union to submit an IND application to the Ministry of Health of the Russian Federation for initiating a Phase III clinical trial of azvudine for treating COVID-19 in Russia in 2020, and received an IND approval in January 2021 and commenced the Phase III clinical trial in June 2021.</p> <p>We completed the Series A Investment in February 2021 and raised approximately RMB149.5 million.</p> <p>We authorized Beijing Union and an Independent Third Party agent to submit an IND application to the Brazilian Health Regulatory Agency for initiating a Phase III clinical trial of azvudine for treating COVID-19 in Brazil and received approval in March 2021 and commenced the Phase III clinical trial in June 2021.</p> <p>We obtained a conditional approval of azvudine from the NMPA for treating HIV in the PRC in July 2021.</p>
2022	<p>We completed the Phase III clinical trial for azvudine for treating COVID-19 in the PRC in March 2022.</p> <p>We completed the Series B Investment in April 2022 and raised approximately RMB563.3 million.</p> <p>We obtained a conditional approval from the NMPA of azvudine for treating common COVID-19 in adults in the PRC in July 2022.</p> <p>We entered into a strategic cooperation agreement with Fosun Pharmaceutical Industrial in July 2022 and launched the commercial sales of azvudine for the treatment of COVID-19 in the PRC in August 2022.</p> <p>Our Core Product, azvudine, became the only domestic oral drug for the treatment of COVID-19 that has been listed in the Diagnosis and Treatment Plan for COVID-19 Infection (《新型冠狀病毒感染診療方案》) in August 2022.</p> <p>We initiated the Phase III clinical trial of azvudine for the treatment of HIV infection in August 2022.</p> <p>We received an IND approval from the NMPA for CL-197 for the treatment of HIV infection in October 2022.</p> <p>Shanghai Yiweikang, our operating subsidiary, was established in November 2022.</p> <p>Each of Henan Genuine and Shenzhen Genuine, our operating subsidiary, was recognized as a High-tech Enterprise (高新技術企業) in December 2022.</p>
2023	<p>Our Core Product, azvudine, was included in the NRDL in April 2023.</p> <p>We commenced the Phase I clinical trial of CL-197 for the treatment of HIV infection in the PRC in August 2023.</p>

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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<u>Year</u>	<u>Milestone events</u>
2024	<p>As of January 2024, the terminal sales of azvudine exceeded 10 million bottles and azvudine became one of the top-selling drugs for treating COVID-19 worldwide.</p> <p>We completed an investigator-initiated open-label clinical trial of azvudine to evaluate its efficacy and safety for the treatment of various late-stage solid tumors, including, among others, NSCLC, liver cancer and colorectal cancer, in March 2024.</p> <p>We obtained the IND approval from the NMPA for the clinical trials of azvudine in patients with advanced solid tumors in September 2024.</p> <p>We regained the complete commercialization right over azvudine for the treatment of COVID-19 and HIV infection in the PRC through an amendment agreement entered into with Fosun Pharmaceutical Industrial in September 2024.</p> <p>We completed the NRDL renewal regarding azvudine, with the scope and price of payment remaining unchanged, in November 2024.</p> <p>We submitted IND application for the combination therapy of azvudine and dosimertinib for the treatment of NSCLC in November 2024.</p> <p>In December 2024, the 240 mg dose group of the clinical trial of single-drug dosimertinib therapy showed significant efficacy and non-target lesions disappeared in the tested subjects.</p>
2025	<p>We initiated Phase I clinical trial of azvudine in patients with advanced solid tumors in the PRC in January 2025 with three patients enrolled as of the Latest Practicable Date.</p> <p>In January 2025, we submitted a communication application to the CDE for the conversion of the conditional approval for the COVID-19 indication to full approval.</p>

## OUR CORPORATE DEVELOPMENTS

### Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on September 26, 2019. As of the date of its incorporation, the authorized share capital of our Company was US\$50,000 divided into 500,000,000 Ordinary Shares with a par value of US\$0.0001 each. Upon the completion of the Reorganization, our Company became the holding company and the [REDACTED] vehicle of our Group. See “—Reorganization” below for details.

### Our operating subsidiaries in the PRC

During the Track Record Period and as of the Latest Practicable Date, our business operations had been carried out by our operating subsidiaries established in the PRC. Set out below are the major corporate developments including major changes in the equity interests in our operating subsidiaries in the PRC.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### *Henan Genuine*

Henan Genuine was established in the PRC as a limited liability company on September 12, 2012 with an initial registered capital of RMB10 million, which was fully paid up in cash. As of the date of its establishment, Henan Genuine was owned as to 70% by Xingyu Zhongke (a company owned as to 95% by Mr. Wang and 5% by Mr. Zhao Zhiwen (趙志文), a cousin of Mr. Wang, as nominee for and on behalf of Mr. Wang for administrative convenience), 20% by Mr. Feng Tiegou (馮鐵骨), an Independent Third Party, and 10% by Mr. Liu Juntao (劉軍濤), an Independent Third Party.

On May 26, 2014, Mr. Feng Tiegou transferred his 20% equity interest in Henan Genuine to Mr. Wang at a consideration of RMB2 million and Mr. Liu Juntao transferred his 10% equity interest in Henan Genuine to Xingyu Zhongke at a consideration of RMB1 million. Such consideration was determined after arm’s length negotiations and with reference to the then paid-up registered capital of Henan Genuine and was fully settled. Upon completion of such equity transfers, Henan Genuine became owned as to 80% by Xingyu Zhongke and 20% by Mr. Wang.

Pursuant to an employee share incentive scheme (the “**Employee Share Incentive Scheme**”) which was adopted by Henan Genuine on January 1, 2019 for the purpose of awarding our employees and consultants for their contribution, retaining talent and promoting the long-term sustainable development of our Group, on January 22, 2019, Xingyu Zhongke transferred an aggregate of 25.00% equity interest in Henan Genuine to the following employees and consultants of our Group. The relevant consideration was determined after arm’s length negotiations and with reference to the then paid-up registered capital of Henan Genuine and was fully settled on January 18, 2019. The details of the equity transfers are set out as follows:

<u>Name of transferor</u>	<u>Name of transferees</u>	<u>Approximate shareholding percentage</u>	<u>Consideration</u> (RMB)
Xingyu Zhongke	Dr. Du <sup>(1)</sup>	15.00%	1,500,000
	Mr. Wei Shiqi (魏世奇)	2.50%	250,000
	Mr. Li Guochi (李國池)	2.50%	250,000
	Mr. Zhang Shi (張詩)	2.20%	220,000
	Mr. Guo Juntao (郭軍濤)	2.20%	220,000
	Mr. Du Jianping (杜劍平)	0.60%	60,000

*Note:*

- (1) Having taken into account the administrative procedure and burden that may be imposed with respect to the registration of Dr. Du as a foreign shareholder of Henan Genuine, Mr. Du Jianping, a nephew of Dr. Du, held the 15.00% equity interest as nominee for and on behalf of Dr. Du, until April 20, 2020, when Mr. Du Jianping transferred such equity interest to Genuine HK on behalf of Dr. Du. As confirmed by our PRC Legal Advisors, such nominee arrangement did not violate any mandatory provisions of laws or regulations in the PRC.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On August 7, 2019, pursuant to the Employee Share Incentive Scheme, Xingyu Zhongke transferred its 3.00% and 0.20% equity interests in Henan Genuine to Mr. Wang Lin (王琳), our executive Director and head of our Board office, and Mr. Liu Yong (劉勇), a former executive Director, at a consideration of RMB300,000 and RMB20,000, respectively, to recognize their contribution in the management of our Group and incentivize them to continue making efforts to our long-term development. Such consideration was determined after arm’s length negotiations and with reference to the then paid-up registered capital of Henan Genuine and was fully settled on August 6, 2019. Upon completion of the equity transfers, the shareholding structure of Henan Genuine is set forth below:

<u>Name of shareholders</u>	<u>Registered capital</u> (RMB)	<u>Shareholding percentage held upon the completion of the equity transfers</u>
Xingyu Zhongke	5,180,000	51.80%
Mr. Wang	2,000,000	20.00%
Mr. Du Jianping <sup>(1)</sup>	1,560,000	15.60%
Mr. Wei Shiqi	250,000	2.50%
Mr. Li Guochi	250,000	2.50%
Mr. Zhang Shi	220,000	2.20%
Mr. Guo Juntao	220,000	2.20%
Mr. Wang Lin	300,000	3.00%
Mr. Liu Yong	20,000	0.20%
<b>Total</b>	<b>10,000,000</b>	<b>100.00%</b>

*Note:*

- (1) Having taken into account the administrative procedure and burden that may be imposed with respect to the registration of Dr. Du as a foreign shareholder of Henan Genuine, Mr. Du Jianping, the nephew of Dr. Du, held the 15.00% equity interest as nominee for and on behalf of Dr. Du, until April 20, 2020, when Mr. Du Jianping transferred such equity interest to Genuine HK on behalf of Dr. Du. As confirmed by our PRC Legal Advisors, such nominee arrangement did not violate any mandatory provisions of laws or regulations in the PRC.

As a result of the Reorganization, on October 30, 2020, Henan Genuine became wholly owned by Genuine HK. See “—Reorganization” below for details. On January 26, 2021 and December 9, 2021, the registered capital of Henan Genuine was increased to RMB200 million and further to RMB800 million, of which RMB619,639,377.90 has been paid up in cash with the remaining balance to be paid up before December 31, 2050 pursuant to its articles of association.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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As of the Latest Practicable Date, Henan Genuine was an indirect wholly-owned subsidiary of our Company and had been principally engaged in the R&D and manufacturing of innovative drugs. Henan Genuine established a branch company in Beijing on November 9, 2020 principally engaged in clinical management and drug approval related matters.

### *Shenzhen Genuine*

Shenzhen Genuine was established in the PRC as a limited liability company on January 2, 2020 with an initial registered capital of RMB10 million, which was fully paid up in cash. Since its establishment, Shenzhen Genuine has been wholly owned by Henan Genuine. Subsequent to a series of increases in the registered capital between December 2, 2021 and December 24, 2024, the registered capital of Shenzhen Genuine was increased to RMB115 million, of which RMB105 million has been paid up in cash with the remaining balance to be paid up before December 18, 2029 pursuant to its articles of association.

As of the Latest Practicable Date, Shenzhen Genuine was an indirect wholly-owned subsidiary of our Company and had been principally engaged in R&D of drugs in areas with unmet medical needs such as hematological diseases, tumors, liver diseases, infectious diseases and cardiovascular diseases.

### *Shanghai Yiweikang*

Shanghai Yiweikang was established in the PRC as a limited liability company on November 18, 2022 with an initial registered capital of RMB20 million, which was fully paid up in cash. Since its establishment, Shanghai Yiweikang has been wholly owned by Henan Genuine. As of the Latest Practicable Date, Shanghai Yiweikang was an indirect wholly-owned subsidiary of our Company and had been principally engaged in R&D of drugs in areas with unmet medical needs such as tumors, liver diseases and infectious diseases.

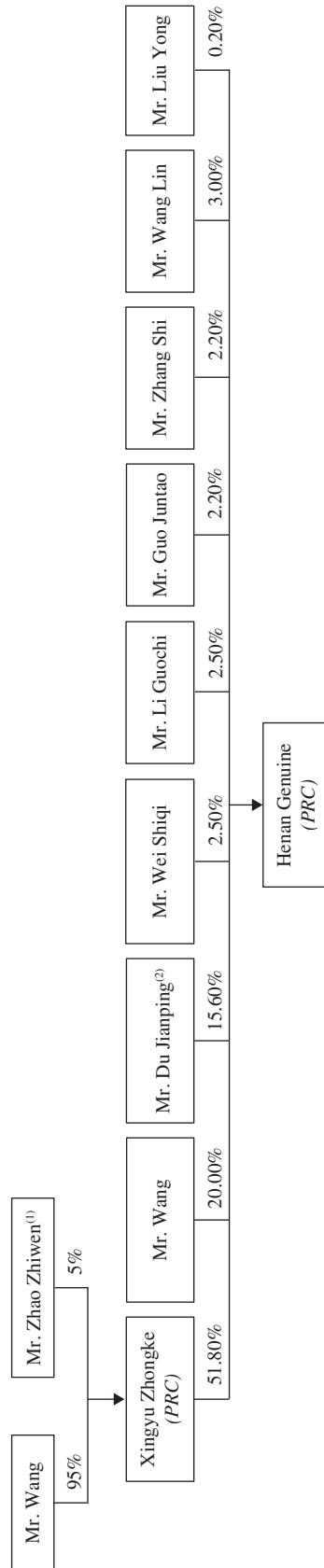
### *Henan Baoyuan*

Henan Baoyuan was established in the PRC as a limited liability company on June 9, 2023 with an initial registered capital of RMB10 million, which was fully paid up in cash. Since its establishment, Henan Baoyuan has been wholly owned by Henan Genuine. As of the Latest Practicable Date, Henan Baoyuan was an indirect wholly-owned subsidiary of our Company and had been principally engaged in pharmaceutical sales.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### REORGANIZATION

In preparation for the [REDACTED], we underwent the Reorganization pursuant to which our Company became the holding company and [REDACTED] vehicle of our Group. The following chart sets forth a simplified shareholding structure of our Group immediately before the Reorganization:



Notes:

- (1) Mr. Zhao Zhiwen held the 5% equity interest in Xingyu Zhongke as nominee for and on behalf of Mr. Wang.
- (2) Mr. Du Jianping held the 15% equity interest in Henan Genuine as nominee for and on behalf of Dr. Du and the remaining 0.6% for himself.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### **Incorporation of our Company and our offshore subsidiaries**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 26, 2019 to act as the holding company and [REDACTED] vehicle of our Group. As of the date of its incorporation, the authorized share capital of our Company was US\$50,000 divided into 500,000,000 Ordinary Shares with a par value of US\$0.0001 each. On the date of its incorporation, one Share was allotted and issued at par to an initial subscriber, an Independent Third Party, which was transferred at par to Modern Target, a company wholly owned by Dr. Du on the same date. For the purpose of reflecting the then shareholding interests held by Dr. Du in Henan Genuine at the offshore level, on September 26, 2019, our Company allotted and issued 29,999,999 Shares to Modern Target. On the same date, pursuant to the Employee Share Incentive Scheme, our Company allotted and issued 600,000 Shares to Precious Auspice, a company wholly owned by Dr. Guo Chang Yue (郭昌月), our vice president, and 400,000 Shares to Top Access, a company wholly owned by Dr. Wang Xiang (王祥), our regional business development director, at par. Upon completion of such allotment and issuance, our Company became owned as to approximately 96.77% by Modern Target, 1.94% by Precious Auspice and 1.29% by Top Access.

Genuine BVI was incorporated in the BVI with limited liability on October 9, 2019 as the intermediate holding company of our Group in the BVI. On the date of its incorporation, 100 shares of Genuine BVI were allotted and issued to our Company at par and Genuine BVI then became wholly owned by our Company.

Genuine HK was incorporated in Hong Kong with limited liability on October 31, 2019 as the intermediate holding company of our Group in Hong Kong. On the date of its incorporation, 10,000 shares of Genuine HK were allotted and issued to Genuine BVI at a consideration of HK\$10,000 and Genuine HK then became wholly owned by Genuine BVI.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Acquisition of certain equity interests in Henan Genuine

On April 20, 2020, Genuine HK acquired 15.00% and 0.50% equity interests in Henan Genuine from Mr. Du Jianping (who held the 15.00% equity interest as nominee for and on behalf of Dr. Du) and Xingyu Zhongke at a consideration of RMB1,500,000 and RMB50,000, respectively. Such consideration was determined after arm’s length negotiations and with reference to the value of the equity interest held by the shareholders in Henan Genuine as of June 30, 2019, as assessed by an independent professional valuer, and the then paid-up registered capital of Henan Genuine, which was fully settled on November 24, 2020. Upon completion of the acquisitions, the shareholding structure of Henan Genuine is set forth below:

Name of shareholders	Registered capital (RMB)	Shareholding percentage held upon the completion of the acquisitions
Xingyu Zhongke	5,130,000	51.30%
Mr. Wang	2,000,000	20.00%
Genuine HK	1,550,000	15.50%
Mr. Du Jianping	60,000	0.60%
Mr. Wei Shiqi	250,000	2.50%
Mr. Li Guochi	250,000	2.50%
Mr. Zhang Shi	220,000	2.20%
Mr. Guo Juntao	220,000	2.20%
Mr. Wang Lin	300,000	3.00%
Mr. Liu Yong	20,000	0.20%
<b>Total</b>	<b>10,000,000</b>	<b>100.00%</b>

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Allotment of Shares to onshore shareholders

For the purpose of reflecting and mirroring the then shareholding structure of Henan Genuine before the Reorganization at the offshore level, on September 29, 2020, our Company allotted and issued an aggregate of 169,000,000 Shares at par to the offshore holding vehicles of each of the then shareholders of Henan Genuine in proportion to their then respective equity interests in Henan Genuine. Upon completion of the share allotment and issuance, the shareholding of our Company is set forth below:

<u>Name of Shareholders</u>	<u>Number of Shares allotted and issued</u>	<u>Shareholding percentage held upon the completion of the allotment and issuance</u>
Tri-Link Ventures <sup>(1)</sup>	142,600,000	71.30%
Modern Target	30,000,000	15.00%
Bonanza Global <sup>(2)</sup>	6,000,000	3.00%
Abundant Luck <sup>(3)</sup>	5,000,000	2.50%
Long Profit <sup>(4)</sup>	5,000,000	2.50%
Silver Waves <sup>(5)</sup>	4,400,000	2.20%
Ju Xian Global <sup>(6)</sup>	4,400,000	2.20%
Brilliant Torch <sup>(7)</sup>	1,200,000	0.60%
Precious Auspice	600,000	0.30%
Top Access	400,000	0.20%
Celestial Path <sup>(8)</sup>	400,000	0.20%
<b>Total</b>	<b>200,000,000</b>	<b>100.00%</b>

*Notes:*

1. A company incorporated in the BVI with limited liability and wholly owned Mr. Wang.
2. A company incorporated in the BVI with limited liability and wholly owned by Mr. Wang Lin.
3. A company incorporated in the BVI with limited liability and wholly owned by Mr. Wei Shiqi.
4. A company incorporated in the BVI with limited liability and wholly owned by Mr. Li Guochi.
5. A company incorporated in the BVI with limited liability and wholly owned by Mr. Guo Juntao.
6. A company incorporated in the BVI with limited liability and wholly owned by Mr. Zhang Shi.
7. A company incorporated in the BVI with limited liability and wholly owned by Mr. Du Jianping.
8. A company incorporated in the BVI with limited liability and wholly owned by Mr. Liu Yong.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Repurchase of 10,000,000 Shares and allotment of 10,000,000 new Shares to Modern Target

Pursuant to a share incentive agreement dated October 12, 2020 entered into among Mr. Wang, Dr. Du, Henan Genuine and our Company, for the purpose of rewarding Dr. Du’s contribution to the R&D of azvudine and other pipeline products of our Group, our Company repurchased 10,000,000 Shares, representing 5% of the issued share capital of our Company, from Tri-Link Ventures at par and then allotted and issued 10,000,000 new Shares, representing 5% of the issued share capital of our Company, to Modern Target at par on October 19, 2020.

### Acquisition of the remaining equity interest in Henan Genuine by Genuine HK from onshore shareholders

On October 30, 2020, Genuine HK acquired 51.30%, 20.00%, 3.00%, 2.50%, 2.50%, 2.20%, 2.20%, 0.60% and 0.20% equity interest in Henan Genuine from Xingyu Zhongke, Mr. Wang, Mr. Wang Lin, Mr. Wei Shiqi, Mr. Li Guochi, Mr. Guo Juntao, Mr. Zhang Shi, Mr. Du Jianping and Mr. Liu Yong at a consideration of RMB5,130,000, RMB2,000,000, RMB300,000, RMB250,000, RMB250,000, RMB220,000, RMB220,000, RMB60,000 and RMB20,000, respectively. Such consideration was determined after arm’s length negotiations and with reference to the value of the equity interest held by the shareholders in Henan Genuine as of June 30, 2019, as assessed by an independent professional valuer, and the then paid-up registered capital of Henan Genuine, which was fully settled. Upon completion of such acquisitions, Henan Genuine became wholly owned by Genuine HK.

### Series A Investment

Pursuant to (i) the share subscription agreement dated November 10, 2020 entered into among our Company, Genuine BVI, Genuine HK, Henan Genuine, Mr. Wang, the shareholders of our Ordinary Shares including Tri-Link Ventures, Brilliant Torch, Abundant Luck, Long Profit, Silver Waves, Ju Xian Global, Bonanza Global, Celestial Path, Modern Target, Precious Auspice and Top Access (collectively, the “**Ordinary Shareholders**”), Shenzhen Yifeng Zhenai Venture Capital Investment Partnership (Limited Partnership)\* (深圳市倚鋒真艾創業投資企業(有限合夥)) (“**Efung Zhenai**”) and Shenzhen Yifeng Zhenbo Venture Capital Investment Partnership (Limited Partnership)\* (深圳市倚鋒真鉑創業投資企業(有限合夥)) (“**Efung Zhenbo**”); and (ii) the share subscription agreement dated November 10, 2020 entered into among our Company, Genuine BVI, Genuine HK, Henan Genuine, Mr. Wang, the Ordinary Shareholders, Goldlark Global Balance SPC — Goldlark Equity SP (“**Goldlark Global**”) and Ms. Shen Xueyu (沈雪雨) (Efung Zhenai, Efung Zhenbo, Goldlark Global and Ms. Shen Xueyu are collectively referred as the “**Series A Investors**”), the Series A Investors agreed to subscribe for an aggregate of 19,958,038 Series A Preferred Shares at a total consideration of approximately RMB149.47 million (the “**Series A Investment**”), which was fully settled on February 22, 2021. The consideration was determined through arm’s length negotiation with reference to our funding needs, our products under development and the prospects and development potential of our Group being considered as a whole.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Upon the completion of the Series A Investment, the shareholding structure of our Company is set forth below:

<u>Name of Shareholders</u>	<u>Number of Shares allotted and issued</u>	<u>Approximate shareholding percentage held upon the completion of the allotment and issuance<sup>(1)</sup></u>
<b>Ordinary Shares</b>		
Tri-Link Ventures	132,600,000	60.28%
Modern Target	40,000,000	18.19%
Bonanza Global	6,000,000	2.73%
Abundant Luck	5,000,000	2.27%
Long Profit	5,000,000	2.27%
Silver Waves	4,400,000	2.00%
Ju Xian Global	4,400,000	2.00%
Brilliant Torch	1,200,000	0.55%
Precious Auspice	600,000	0.27%
Top Access	400,000	0.18%
Celestial Path	400,000	0.18%
<b>Series A Preferred Shares</b>		
Goldlark Global	6,634,731	3.02%
Efung Zhenbo	6,266,667	2.85%
Efung Zhenai	5,333,333	2.42%
Ms. Shen Xueyu	1,723,307	0.78%
<b>Total</b>	<b>219,958,038</b>	<b>100.00%</b>

*Note:*

- Shareholding percentages may not add up to 100% due to rounding.

For further details on the investments made by the Series A Investors and their background information, see “[REDACTED] Investments.”

### Establishment of the RSU Scheme Trust

For the purpose of incentivizing our Directors, senior management, employees and consultants for their contribution to our Group, attracting, motivating and retaining skilled and experienced personnel to strive for the future development and expansion of our Group, our Company adopted the RSU Scheme on July 29, 2021, which provides eligible participants with the opportunity to own equity interests in our Company. For details of the RSU Scheme, please refer to “Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. RSU Scheme” to this document.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Creative Summit was incorporated in the BVI with limited liability on July 2, 2021 by Tri-Link Ventures, which is wholly owned by Mr. Wang, as the holding company for the purpose of implementing and administering the RSU Scheme. Pursuant to the RSU Scheme, on August 17, 2021, our Company allotted and issued 5,500,000 Shares, representing approximately 2.44% of the then issued share capital of our Company, to Creative Summit at par. On August 18, 2021, we established the RSU Scheme Trust, with our Company as the settlor, Mr. Wang as the trustee and Creative Summit as the holding company for the administration of the RSU Scheme and holds the Shares on trust. The RSU Scheme Trust is a fixed trust intended for the benefit of eligible persons entitled to receive a grant of the RSUs in accordance with the terms of the RSU Scheme.

On September 10, 2021, Creative Summit transferred 880,000 Shares to Rising Kong, a company wholly owned by Dr. Dang Qun (黨群), our executive Director, president and chief business officer, at nil consideration pursuant to the RSU Scheme.

### Transfer of 7,000,000 Shares from Tri-Link Ventures to Modern Target

Pursuant to a share incentive agreement dated January 19, 2022 entered into among Mr. Wang, Dr. Du, Henan Genuine and our Company, and a share transfer agreement dated January 19, 2022 entered into between Tri-Link Ventures and Modern Target, Tri-Link Ventures transferred 7,000,000 Shares, representing approximately 3.10% of the then issued share capital of our Company, to Modern Target at par on January 22, 2022 for the purpose of rewarding Dr. Du’s contribution to the R&D of azvudine and other pipeline products of our Group.

### Series B Investment

Pursuant to the share subscription agreement dated November 10, 2021 entered into among our Company, Genuine BVI, Genuine HK, Henan Genuine, Mr. Wang, the Ordinary Shareholders, the Series A Investors, Shanghai Zhenyong Enterprise Management Consulting Partnership (Limited Partnership)\* (上海臻詠企業管理諮詢合夥企業(有限合夥)) (“**Shanghai Zhenyong**”), Hainan Efung Junma 1st Private Equity Investment Fund Management Partnership (Limited Partnership)\* (海南倚鋒駿馬一期私募股權投資基金管理合夥企業(有限合夥)) (“**Hainan Efung**”), Hangzhou Xiangkang Efung Venture Capital Investment Partnership (Limited Partnership)\* (杭州向康倚鋒創業投資合夥企業(有限合夥)) (“**Hangzhou Efung**”), Ms. Shen Xueyu (沈雪雨), Zibo Yingke Yangguanglan No. 1 Venture Capital Partnership (Limited Partnership)\* (淄博盈科陽光藍一號創業投資合夥企業(有限合夥)) (“**Yingke Yangguanglan No. 1**”), Hangzhou Taifu Yingrui Venture Capital Partnership (Limited Partnership)\* (杭州泰富盈瑞創業投資合夥企業(有限合夥)) (“**Yingke Taifu Yingrui**”) (formerly known as Zibo Yingke Core Value No. 1 Venture Capital Partnership (Limited Partnership)\* (淄博盈科核心價值一號創業投資合夥企業(有限合夥))), Zibo Yingke Shenghui Venture Capital Partnership (L.P.)\* (淄博盈科聖輝創業投資合夥企業(有限合夥)) (“**Yingke Shenghui**”), Zibo Yingke Core Value No. 2 Venture Capital Partnership (Limited Partnership)\* (淄博盈科核心價值二號創業投資合夥企業(有限合夥)) (“**Yingke Core Value No. 2**”), Shanghai Desano Bio-Pharmaceutical Co., Ltd.\* (上海迪賽諾生物醫藥有限公司) (“**Shanghai**”).

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

**Desano**”), Shenzhen Yashang Tianheng Venture Capital Enterprise (Limited Partnership)\* (深圳市亞商天恒創業投資企業(有限合夥)) (“**Shenzhen Yashang**”), Fortune Growth Fund SPC-Fortune Opportunity Fund SP (“**Fortune Growth**”), and Shanghai Hangfeng Enterprise Management Partnership (Limited Partnership)\* (上海航烽企業管理合夥企業(有限合夥)) (“**Shanghai Hangfeng**”) (Shanghai Zhenyong, Hainan Efung, Hangzhou Efung, Ms. Shen Xueyu, Yingke Yangguanglan No. 1, Yingke Taifu Yingrui, Yingke Shenghui, Yingke Core Value No. 2, Shanghai Desano, Shenzhen Yashang, Fortune Growth and Shanghai Hangfeng are collectively referred as the “**Series B Investors**”), the Series B Investors agreed to subscribe for an aggregate of 42,388,062 Series B Preferred Shares at a total consideration of approximately RMB563.30 million (the “**Series B Investment**”), which was fully settled on April 12, 2022. The consideration was determined through arm’s length negotiation with reference to our funding needs, our products under development and the prospects and development potential of our Group being considered as a whole.

Upon the completion of the Series B Investment, the shareholding structure of our Company is set forth below:

Name of Shareholders	Number of Shares allotted and issued	Approximate shareholding percentage held upon the completion of the allotment and issuance <sup>(1)</sup>
<b>Ordinary Shares</b>		
Tri-Link Ventures	125,600,000	46.89%
Modern Target	47,000,000	17.55%
Bonanza Global	6,000,000	2.24%
Abundant Luck	5,000,000	1.87%
Long Profit	5,000,000	1.87%
Creative Summit	4,620,000	1.72%
Silver Waves	4,400,000	1.64%
Ju Xian Global	4,400,000	1.64%
Brilliant Torch	1,200,000	0.45%
Rising Kong	880,000	0.33%
Precious Auspice	600,000	0.22%
Top Access	400,000	0.15%
Celestial Path	400,000	0.15%
<b>Series A Preferred Shares</b>		
Goldlark Global	6,634,731	2.48%
Efung Zhenbo	6,266,667	2.34%
Efung Zhenai	5,333,333	1.99%
Ms. Shen Xueyu	1,723,307	0.64%

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of Shareholders	Number of Shares allotted and issued	Approximate shareholding percentage held upon the completion of the allotment and issuance <sup>(1)</sup>
<b>Series B Preferred Shares</b>		
Shanghai Zhenyong	14,386,928	5.37%
Hainan Efung	3,757,634	1.40%
Yingke Core Value No. 2	3,757,634	1.40%
Shanghai Desano	3,757,634	1.40%
Ms. Shen Xueyu	3,705,628	1.38%
Fortune Growth	3,417,339	1.28%
Shenzhen Yashang	3,217,286	1.20%
Shanghai Hangfeng	1,878,817	0.70%
Yingke Yangguanglan No. 1	1,503,054	0.56%
Yingke Shenghui	1,503,054	0.56%
Hangzhou Efung	751,527	0.28%
Yingke Taifu Yingrui	751,527	0.28%
<b>Total</b>	<b>267,846,100</b>	<b>100.00%</b>

*Note:*

- Shareholding percentages may not add up to 100% due to rounding.

For further details on the investments made by the Series B Investors and their background information, see “[REDACTED] Investments.”

### Transfer of 1,320,000 Shares from Creative Summit to Rising Kong

On October 31, 2022 and September 15, 2023, pursuant to the RSU Scheme, Creative Summit transferred 660,000 Shares and 660,000 Shares, respectively, to Rising Kong, a company wholly owned by Dr. Dang Qun, our executive Director, president and chief business officer, at nil consideration. Upon the completion of such transfers, the shareholding structure of our Company is set forth below:

Name of Shareholders	Number of Shares allotted and issued	Approximate shareholding percentage held upon the completion of the allotment and issuance <sup>(1)</sup>
<b>Ordinary Shares</b>		
Tri-Link Ventures	125,600,000	46.89%
Modern Target	47,000,000	17.55%

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of Shareholders	Number of Shares allotted and issued	Approximate shareholding percentage held upon the completion of the allotment and issuance <sup>(1)</sup>
Bonanza Global	6,000,000	2.24%
Abundant Luck	5,000,000	1.87%
Long Profit	5,000,000	1.87%
Silver Waves	4,400,000	1.64%
Ju Xian Global	4,400,000	1.64%
Creative Summit	3,300,000	1.23%
Rising Kong	2,200,000	0.82%
Brilliant Torch	1,200,000	0.45%
Precious Auspice	600,000	0.22%
Top Access	400,000	0.15%
Celestial Path	400,000	0.15%
<b>Series A Preferred Shares</b>		
Goldlark Global	6,634,731	2.48%
Efung Zhenbo	6,266,667	2.34%
Efung Zhenai	5,333,333	1.99%
Ms. Shen Xueyu	1,723,307	0.64%
<b>Series B Preferred Shares</b>		
Shanghai Zhenyong	14,386,928	5.37%
Hainan Efung	3,757,634	1.40%
Yingke Core Value No. 2	3,757,634	1.40%
Shanghai Desano	3,757,634	1.40%
Ms. Shen Xueyu	3,705,628	1.38%
Fortune Growth	3,417,339	1.28%
Shenzhen Yashang	3,217,286	1.20%
Shanghai Hangfeng	1,878,817	0.70%
Yingke Yangguanglan No. 1	1,503,054	0.56%
Yingke Shenghui	1,503,054	0.56%
Hangzhou Efung	751,527	0.28%
Yingke Taifu Yingrui	751,527	0.28%
<b>Total</b>	<b>267,846,100</b>	<b>100.00%</b>

*Note:*

- Shareholding percentages may not add up to 100% due to rounding.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### [REDACTED] INVESTMENTS

The following table summarizes the principal terms of the two rounds of investments in our Company by the [REDACTED] Investors, including Efung Capital and Yingke PE as Sophisticated Investors and the other [REDACTED] Investors:

	<u>Series A Investment</u>	<u>Series B Investment</u>
<b>Date of agreement</b>	November 10, 2020	November 10, 2021
<b>Name of [REDACTED] investors</b>	Efung Zhenai, Efung Zhenbo, Goldlark Global and Ms. Shen Xueyu	Shanghai Zhenyong, Hainan Efung, Hangzhou Efung, Ms. Shen Xueyu, Yingke Yangguanglan No. 1, Yingke Taifu Yingrui, Yingke Shenghui, Yingke Core Value No. 2, Shanghai Desano, Shenzhen Yashang, Fortune Growth, Shanghai Hangfeng
<b>Number of Shares subscribed for or obtained pursuant to Reorganization</b>	19,958,038 Series A Preferred Shares	42,388,062 Series B Preferred Shares
<b>Amount of consideration paid</b>	[REDACTED]	[REDACTED]
<b>Date of full settlement of consideration</b>	February 22, 2021	April 12, 2022
<b>Post-money valuation of our Company<sup>(1)(2)</sup></b>	[REDACTED]	[REDACTED]
<b>Cost per Share<sup>(3)</sup></b>	[REDACTED]	[REDACTED]
<b>Discount to the mid-point of the indicative [REDACTED]<sup>(4)</sup></b>	[REDACTED]	[REDACTED]

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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	<u>Series A Investment</u>	<u>Series B Investment</u>
<b>Shareholding in our Company immediately after the completion of the Reorganization and the [REDACTED] Investments</b>	See “—Corporate Structure Immediately after the Completion of the Reorganization and the [REDACTED] Investments” for the shareholding in our Company held by the [REDACTED] Investors immediately after the completion of the Reorganization and the [REDACTED] Investments.	
<b>Shareholding in our Company immediately upon completion of the [REDACTED] and the [REDACTED]</b>	See “—Corporate Structure Immediately after the Completion of the [REDACTED] and the [REDACTED]” for the shareholding in our Company held by the [REDACTED] Investors immediately after the completion of the [REDACTED] and the [REDACTED].	
<b>[REDACTED]</b>	As of the Latest Practicable Date, we had utilized all the [REDACTED] from the [REDACTED] Investments for the R&D, business operation, capital expenditures and/or general working capital needs of our Group.	
<b>Lock-up Period<sup>(5)</sup></b>	None of the [REDACTED] Investors is subject to a lock-up period.	
<b>Strategic benefits of the [REDACTED] Investments</b>	Our Directors were of the view that (i) our Group would benefit from the additional capital provided by the [REDACTED] Investors for our R&D and daily operations, as well as the knowledge and experience of the [REDACTED] Investors in medical and healthcare industry; (ii) the [REDACTED] Investments have broadened our shareholder base and demonstrated the [REDACTED] Investors’ confidence in the R&D capacities and prospects of our Group; and (iii) the [REDACTED] Investors are experienced investors in the area of biotech strategies and provide professional advice on our Group’s corporate governance, financial reporting, internal control and future development.	

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

*Notes:*

- (1) The post-money valuation equals to the total consideration paid by each round of the [REDACTED] Investments divided by the shareholding percentage held by them immediately following their investments.
- (2) The increase from our post-money valuation upon completion of Series A Investment to our post-money valuation upon completion of Series B Investment mainly resulted from the progress of research and development of our products, the milestone we achieved and our business prospects. For instance, we obtained a conditional approval of azvudine from the NMPA for treating HIV in the PRC in July 2021.
- (3) The approximate cost per Share is calculated based on the amount of consideration paid by each [REDACTED] Investor divided by the number of Shares to be held by it upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised).
- (4) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED].
- (5) For the avoidance of doubt, all our current ordinary Shareholders (i.e. Tri-Link Ventures, Modern Target, Bonanza Global, Abundant Luck, Long Profit, Silver Waves, Ju Xian Global, Creative Summit, Rising Kong, Brilliant Torch, Precious Auspice, Top Access and Celestial Path) are subject to a lock-up period commencing from the date of the first filing of the [REDACTED] and ending on the expiry date of six months from the [REDACTED] pursuant to the amendment to the amended and restated shareholders agreement entered into among our Company, Genuine BVI, Genuine HK, Henan Genuine, Mr. Wang and the then Shareholders dated July 31, 2022.

### Background information of the [REDACTED] Investors

The background information of our [REDACTED] Investors is set out below:

[REDACTED]

**Investor**

**Background**

Efung Zhenai, Efung Zhenbo, Shanghai Zhenyong and Hangzhou Efung

Each of Efung Zhenai, Efung Zhenbo, Shanghai Zhenyong and Hangzhou Efung is a limited partnership established in the PRC, with its general partner being Efung Capital. Efung Capital is a Sophisticated Investor focusing on medical and healthcare sectors, especially in venture capital and private equity investment in biomedicine and high-end medical devices, with approximately US\$600 million of assets under its management. It has explored profoundly the potentials of healthcare industry, and has invested in over 80 prominent companies globally. The general partner of Efung Capital is Shenzhen Efung Venture Capital Co., Ltd.\* (深圳市倚鋒創業投資有限公司), an investment company ultimately controlled by Mr. Zhu Jinqiao, our non-executive Director.

Hainan Efung

Hainan Efung is a limited partnership established in the PRC, the general partner of which is Hainan Efung Junma Private Equity Fund Management Co., Ltd.\* (海南倚鋒駿馬私募基金管理有限公司) (“Efung Junma”). Efung Junma is registered as a private equity fund with Asset Management Association of China (中國證券投資基金業協會) (“AMAC”) (registration number: P1072211) and is controlled by Mr. Zhu Jinqiao, our non-executive Director.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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[REDACTED]

**Investor**

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**Background**

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Ms. Shen Xueyu

Ms. Shen Xueyu has over 10 years of experience in private equity investment focusing on biomedical industry. She has invested more than RMB100 million in several private equity funds focusing on biomedical industry.

Goldlark Global

Goldlark Global is a segregated portfolio company registered under the laws of the Cayman Islands with limited liability. Its investment manager is Goldlark (Hong Kong) Asset Management Company Limited (“**Goldlark HK**”), a wholly-owned subsidiary of Goldlark (Shanghai) Investment Management Co., Ltd.\* (金百臨(上海)投資管理有限公司) (“**Goldlark Shanghai**”), an investment company in the PRC controlled by Ms. Fei Xiaoyan (費曉燕), the founder and the chairman of the board of directors of Jiangsu Goldlark Investment Consultation Co., Ltd. (江蘇金百臨投資諮詢股份有限公司), a private equity fund manager registered with AMAC (registration number: P1000658). Goldlark HK is licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO and has invested in a variety of asset classes, including stocks, fixed income and private equity, with an aim to achieving long-term and stable appreciation of investment assets. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, each of Goldlark Global, Goldlark HK, Goldlark Shanghai and Ms. Fei Xiaoyan is an Independent Third Party.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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[REDACTED]

**Investor**

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**Background**

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Yingke Yangguanglan  
No. 1, Yingke  
Shenghui, Yingke  
Taifu Yingrui and  
Yingke Core  
Value No. 2

Each of Yingke Yangguanglan No. 1 and Yingke Shenghui is a limited partnership established in the PRC, with its general partner being Yingke PE. Each of Yingke Taifu Yingrui and Yingke Core Value No. 2 is a limited partnership established in the PRC, with its general partner being Guangxi Yingji Investment Holding Co., Ltd.\* (廣西盈吉投資控股有限公司) (“**Guangxi Yingji**”), an investment company controlled by Yingke PE. Yingke PE is a Sophisticated Investor focusing on private equity investment in biomedical, core technology and other fields, with more than tens of billions of RMB assets under its management. Save for Mr. Qian Mingfei (錢明飛), the founder and the chairman of the board of directors of Yingke PE, who holds approximately 41.74% equity interest in Yingke PE, there is no other ultimate beneficial owner who holds 30% or more interest in Yingke PE. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, each of Yingke Yangguanglan No. 1, Yingke Shenghui, Yingke Tianfu Yingrui, Yingke Core Value No. 2, Yingke PE, Guangxi Yingji and Mr. Qian Mingfei is an Independent Third Party.

Shanghai Desano

Shanghai Desano is a limited liability company established in the PRC principally engaged in R&D and production of anti-HIV drug, other anti-virus drug, steroidal drugs, etc.. Shanghai Desano is ultimately controlled by Mr. Xu Shengping (徐勝平), the founder of Shanghai Acebright Pharmaceuticals Group Co., Ltd. (上海創諾醫藥集團有限公司), an innovative pharmaceutical enterprise dedicated to providing products and seamless customized services to the global pharmaceutical industry from early development to commercial supply. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, each of Shanghai Desano and Mr. Xu Shengping is an Independent Third Party.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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[REDACTED]

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**Investor**

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**Background**

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Shenzhen Yashang

Shenzhen Yashang is a limited partnership established in the PRC principally engaged in equity investments in healthcare and TMT fields such as the internet, culture and media and new consumption. The general partner of Shenzhen Yashang is Qianhai Yashang Yueke Investment Management (Shenzhen) Co., Ltd.\* (前海亞商粵科投資管理(深圳)有限公司) (“**Qianhai Yashang**”), an investment holding company ultimately controlled by Dr. Chen Qiwei (陳琦偉), a founding partner and chairman of the board of directors of Shanghai Asia Business Development Group Co. Ltd.\* (上海亞商發展集團有限公司), a leading asset management company specialized in venture capital and equity investment in the PRC. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, each of Shenzhen Yashang, Qianhai Yashang and Dr. Chen Qiwei is an Independent Third Party.

Fortune Growth

Fortune Growth is an exempted company registered as a segregated portfolio company under the laws of the Cayman Islands with limited liability. Its investment manager is Fortune Asset Management Limited (“**FAM**”), a wholly-owned subsidiary of GoFintech Innovation Limited (“**GoFintech**”), formally known as China Fortune Financial Group Limited, a company principally engaged in investment banking, securities trading, asset management, wealth management and money lender business in Hong Kong whose shares are listed on the Stock Exchange (stock code: 0290). FAM is licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, each of Fortune Growth, FAM and GoFintech is an Independent Third Party.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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[REDACTED]

**Investor**

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**Background**

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Shanghai Hangfeng

Shanghai Hangfeng is a limited partnership established in the PRC, which is owned as to approximately 99.97% by AVIC Trust Co., Ltd. (中航信託股份有限公司) (“**AVIC Trust**”), a non-bank financial institution and a subsidiary of AVIC Industry and Finance Holdings Co., Ltd. (中航工業產融控股股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600705), as its limited partner, and 0.03% by Beihai Hangjing Hengsheng Investment Development Co.\* (北海航景恒晟投資發展有限公司) (“**Beihai Hangjing**”), a company principally engaged in self-owned capital investment and investment management business owned as to 50% by Mr. Gong Yinhua (龔印華), who has almost 15 years of experience in corporate financial management and investment management in financial institutions, and 50% by Mr. Chen Pingren (陳平仁), who has over ten years of experience in financial audit and risk management in financial institutions. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, each of Shanghai Hangfeng, AVIC Trust, Beihai Hangjing, Mr. Gong Yinhua and Mr. Chen Pingren is an Independent Third Party.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Special Rights Granted to the [REDACTED] Investors

Pursuant to the shareholders agreement (the “Shareholders Agreement”) entered into among our Company, Genuine BVI, Genuine HK, Henan Genuine, Mr. Wang and the then Shareholders dated November 10, 2021 and the articles of association of the Company adopted on November 19, 2024, the [REDACTED] Investors were granted with certain special rights, including but not limited to information rights, pre-emptive rights, right of first refusal, right of co-sale, director nomination rights, redemption rights and drag-along rights. The redemption rights were terminated upon the first filing of the [REDACTED] but can be reinstated upon the earliest of (i) the withdrawal of the [REDACTED]; (ii) the rejection of the [REDACTED] by the Stock Exchange; or (iii) the failure to complete the [REDACTED] within 41 months from the first filing of the [REDACTED], and all the other special rights under the Shareholders Agreement and the articles of association shall be terminated upon the [REDACTED] in accordance with Chapter 4.2 of the Guide concerning the Stock Exchange’s guidance on [REDACTED] investments.

### Public Float

Mr. Zhu Jinqiao is our non-executive Director and therefore a core connected person of our Company. Accordingly, Shares held by Efung Zhenai, Efung Zhenbo, Shanghai Zhenyong, Hainan Efung and Hangzhou Efung will not be counted towards the public float after the [REDACTED].

Save as disclosed above and in “Substantial Shareholders” in this document, to the best of our Directors’ knowledge, all the other [REDACTED] Investors are not core connected persons of our Company and are Independent Third Parties. Upon completion of the [REDACTED] and [REDACTED] and assuming the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised, an aggregate of approximately [REDACTED]% of the issued Shares will be counted towards the public float after the [REDACTED]. As a result, at least 25% of our Company’s total issued Shares with a market capitalization of at least HK\$375 million will be held by the public upon completion of the [REDACTED] in accordance with Rules 8.08(1)(a) and 18A.07, respectively, of the Listing Rules.

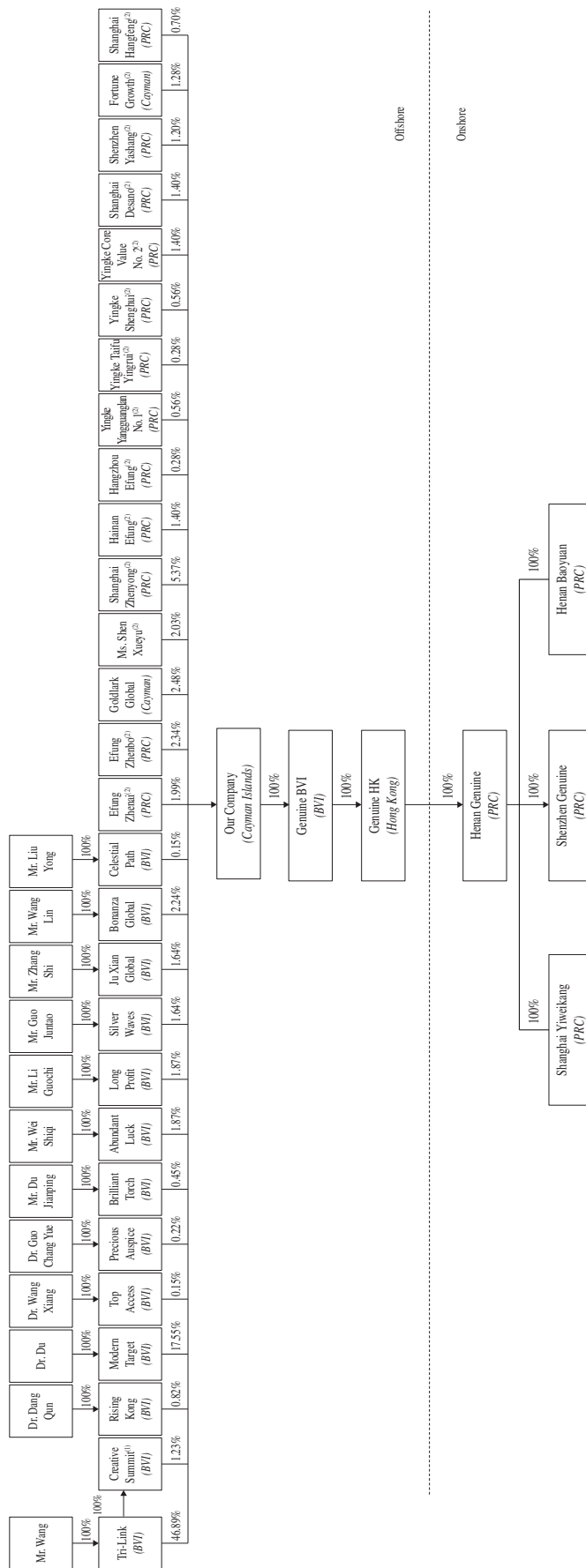
### Compliance with the Guide

The Sole Sponsor is of the view that, based on the documents made available to the Sole Sponsor relating to the [REDACTED] Investments, the [REDACTED] Investments are in compliance with Chapter 4.2 of the Guide concerning the Stock Exchange’s guidance on [REDACTED] investments.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE REORGANIZATION AND THE [REDACTED] INVESTMENTS

The following chart sets forth the corporate structure of our Group immediately after the completion of the Reorganization and the [REDACTED] Investments, but before the completion of the [REDACTED] and the [REDACTED]:



Notes:

1. The Shares held by Creative Summit are held under the RSU Scheme Trust for the benefit of certain selected eligible participants pursuant to the RSU Scheme. See “—Reorganization—Establishment of the RSU Scheme Trust” and “Appendix IV—Statutory and General Information—D. Share Incentive Schemes—I. RSU Scheme” to this document for details.
2. See “—[REDACTED] Investments—Background information of the [REDACTED] Investors” above for the detailed background information of each of the [REDACTED] Investors.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### INCREASE IN AUTHORIZED SHARE CAPITAL

On [●], 2025, our authorized share capital was increased from US\$50,000 to US\$[1,006,234.6100] by the creation of additional [9,562,346,100] Shares, and following such increase, the authorized share capital of our Company was US\$[1,006,234.6100] divided into [10,000,000,000] Ordinary Shares of US\$0.0001 each, 19,958,038 Series A Preferred Shares of US\$0.0001 each and 42,388,062 Series B Preferred Shares of US\$0.0001 each.

Conditional upon full conversion of the Series A Preferred Shares and the Series B Preferred Shares into Ordinary Shares, and effective upon the [REDACTED], all the unissued Series A Preferred Shares and Series B Preferred Shares in the authorized share capital of our Company shall be cancelled and the amount of the authorized share capital of our Company shall be diminished, such that the authorized share capital of our Company will be US\$[1,000,000] divided into [10,000,000,000] Ordinary Shares of US\$0.0001 each.

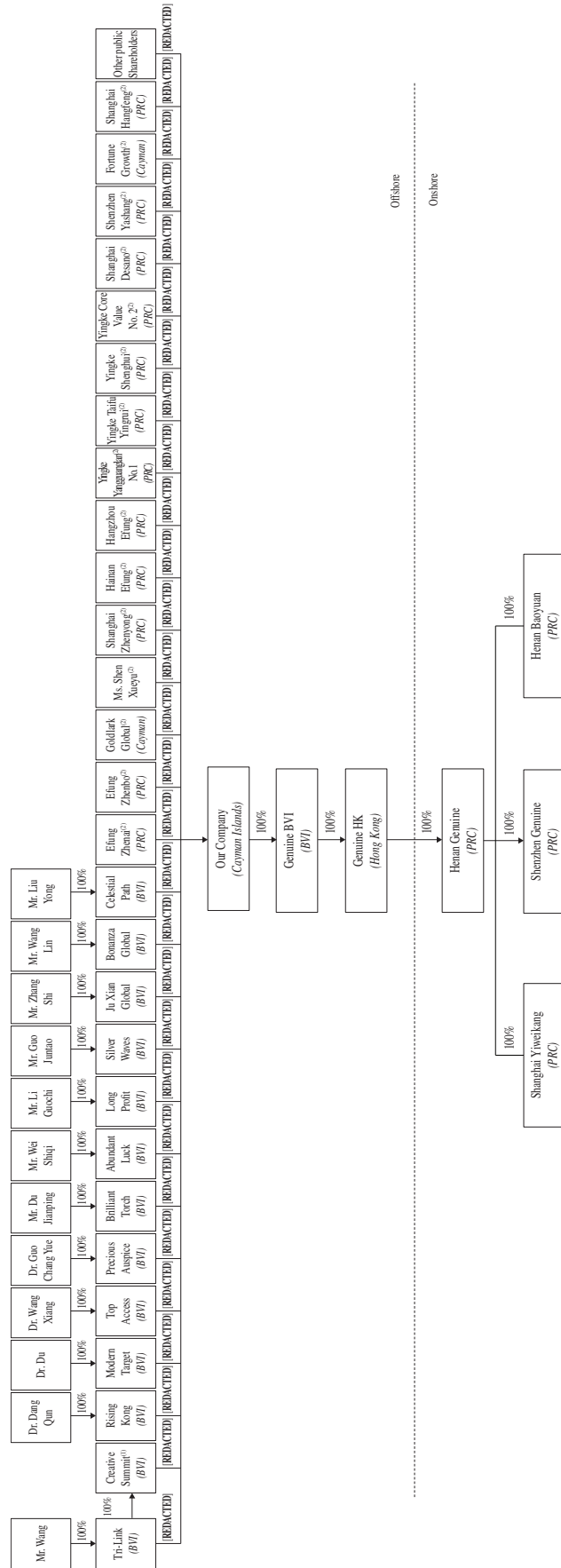
[REDACTED]

Pursuant to the written resolution of our Shareholders passed on [●], 2025, conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors are authorized to capitalize an amount of US\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum of towards the paying up in full at par a total of [REDACTED] Shares for allotment and issue to holders of Ordinary Shares, Series A Preferred Shares and Series B Preferred Shares whose names appear on the register of members of our Company on the date of passing such resolutions in proportion to their respective shareholdings (assuming that all Series A Preferred Shares and Series B Preferred Shares have been converted into Ordinary Shares on a one-for-one basis) (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholding in our Company. The Shares allotted and issued pursuant to the [REDACTED] will carry the same rights in all respects with the existing issued Shares save for the entitlement under the [REDACTED].

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE [REDACTED] AND THE [REDACTED]

The following chart sets forth the corporate structure of our Group immediately after the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised):



*Notes:*

1. The Shares held by Creative Summit are held under the RSU Scheme Trust for the benefit of certain selected eligible participants pursuant to the RSU Scheme. See “—Reorganization —Establishment of the RSU Scheme Trust” and “Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. RSU Scheme” to this document for details.
2. See “—[REDACTED] Investments—Background information of the [REDACTED] Investors” above for the detailed background information of each of the [REDACTED] Investors.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### PRC REGULATORY REQUIREMENTS

#### Corporate Structure and Reorganization

Our Reorganization has been legally and properly completed and settled. Our PRC Legal Advisors have confirmed that all regulatory approvals and permits necessary for our Reorganization had been obtained in accordance with the PRC laws and regulations.

#### M&A Rules

Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity interest of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates such assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic enterprise which is related to or connected with it/him/her, approval from the MOFCOM is required.

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the “**Measures for the Reporting**”), 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 commerce authorities pursuant to these measures. As advised by our PRC Legal Advisors, Henan Genuine has completed the required reporting procedure and obtained the new business license for the acquisition of 15.5% equity interest in Henan Genuine by Genuine HK, which was then indirectly held by Dr. Du, Dr. Guo Chang Yue and Dr. Wang Xiang (all of whom are non-domestic residents), according to the Measures for the Reporting in April 2020.

Given that Henan Genuine was a foreign-invested enterprise when Genuine HK further acquired the remaining equity interests in Henan Genuine, our PRC Legal Advisors are of the opinion that Article 11 of the M&A Rules is not applicable to the aforementioned acquisitions and shall comply with the Measures for the Reporting. Henan Genuine has completed the required reporting procedure and obtained the new business license in October 2020. However, as advised by our PRC Legal Advisors, there is uncertainty as to how the M&A Rules will be interpreted or implemented by the competent PRC authorities.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents Conducting Overseas Investment and Financing and Round-Trip Investments Through Special Purpose Vehicles\* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”) on July 4, 2014, which replaced the former circular commonly known as “SAFE Circular 75” promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle”. SAFE Circular 37 further requires for amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or swap, merger, division or other material events. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On February 13, 2015, SAFE released the Notice on Further Simplifying the Improving Policies for the Foreign Exchange Administration of Direct Investment\* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”), which became effective from June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37. However, there are uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

As advised by our PRC Legal Advisors, each of Mr. Wang, Mr. Wang Lin, Mr. Wei Shiqi, Mr. Li Guochi, Mr. Guo Juntao, Mr. Zhang Shi, Mr. Du Jianping and Mr. Liu Yong has completed the registration for their respective investments in our Company under SAFE Circular 37 and SAFE Circular 13 on November 4, 2020.

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## BUSINESS

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### OVERVIEW

We are an innovation- and R&D-driven biotech company dedicated to the development, manufacturing and commercialization of novel drugs for the treatment of viral infections, oncological and cardio-cerebrovascular diseases. Our mission is to improve human health through genuine innovation, with a particular focus on the antiviral and anti-tumor fields, and to explore and address drug resistance in existing treatment options. We aim to find new and better treatment options to address unmet clinical needs.

### Excellent R&D Capabilities

We have an in-house R&D management team composed of senior experts in the field of international drug research and development. Dr. Du Jinfu (杜錦發), the chairman of our Board, executive Director, chief executive officer, chief scientific officer of our Company, recognized as “State Specially Recruited Experts (國家特聘專家)” by the PRC government, was one of the inventors of sofosbuvir, drug for treating hepatitis C which won the Prix Galien Award. *Cell* has commented that sofosbuvir is one of the most significant public health accomplishments of our generation. Our senior management personnel, such as Dr. Dang Qun, Dr. Luo Feng, Dr. Guo Chang Yue and Dr. Li Pan, all have served in internationally-renowned biomedical companies and has an average of nearly 30 years of extensive experience in the fields of innovative drug research and development, translational medicine, and clinical trial management, which has laid a solid foundation for our continuous innovation and global competitiveness. Leveraging our extensive experience in drug research and development, we have established comprehensive research and development platforms, including a highly selective novel nucleoside broad-spectrum anti-tumor drug R&D platform, a TOPO1 inhibitor and XDC drug R&D platform, a drug target discovery and validation platform, and an innovative drug design and optimization platform. These platforms cover the entire drug development process, from early target screening to preclinical research, to clinical trials and subsequent optimization, providing strong technical support and systematic safeguards to accelerate the discovery and development of innovative drugs.

### A Robust Product Pipeline Driven by Ingenuity and Continuous Innovation Capability

In terms of the treatment of viral infections, our Core Product, azvudine, a Class 1.1 innovative drug, was conditionally approved by the NMPA for the treatment of HIV infection and COVID-19 in July 2021 and July 2022, respectively. Azvudine was the first NMPA-approved oral antiviral treatment for COVID-19 developed by a Chinese company, demonstrating outstanding efficacy in treating viral infections. It not only inhibits viral replications but also enhances immune function, achieving a dual effect of “addressing both symptoms and root causes”. With cumulative sales exceeding 10 million bottles, the safety profile and efficacy of azvudine have been validated by real-world data and supported by 70 research papers published by independent third parties. With its unique dual target mechanism of action, azvudine has become the world’s first HIV infection treatment option for the dual-targeted inhibition of nucleoside reverse transcriptase and the Vif. In addition, in our Phase II clinical trial, azvudine achieved clinical efficacy comparable to that of lamivudine

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## BUSINESS

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(another popular NRTI) at only 1% of the latter's dose level. Leveraging its outstanding efficacy in viral infection treatment and the long-acting mechanism, our azvudine/CL-197 combination tablet shows the potential to become the global first all-oral, long-acting and weekly administered treatment for HIV. We have also been leveraging our independent R&D capabilities to expand the applications of azvudine in new indications and combination treatment in cancer treatment.

In terms of cancer treatment, we have discovered our Core Product, azvudine, has demonstrated broad-spectrum antitumor activity and is the only nucleoside anti-tumor drug with dual mechanisms and high selectivity in the past 30 years. It can exert its anti-tumor effects by inhibiting DNA synthesis in tumor cells and enhancing immunity through immunomodulation. We are continuously expanding the applications of our Core Product, azvudine, into new indications and combination treatment, including (i) azvudine/anti-PD-1 combination therapy for the treatment of liver and colorectal cancer, where 100% tumor remission was observed in animal studies; (ii) azvudine/dosimertinib combination therapy for the treatment of NSCLC, demonstrating a 92.82% tumor inhibition rate in animal models; and (iii) azvudine monotherapy and azvudine/CTX combination therapy for blood cancer, where single-agent treatment showed a significant inhibitory effect on blood tumors and combination treatment achieved 100% tumor remission in animal studies.

In addition, our TOPO1 inhibitor platform developed under our ZS-1003 project features an innovative non-camptothecin parent nucleus structure and demonstrates broad-spectrum anti-tumor activity. It has unique advantages in overcoming the resistance to commonly used anti-tumor drugs. Preclinical studies have shown that its inhibitory effect on irinotecan-resistant tumor cells is 400 times greater than that of irinotecan. It has the potential for broad application in various XDC (e.g. ADC, PDC, SMDC) drug conjugate projects as a novel payload, offering promising solutions to the drug resistance in a wide range of tumors.

## BUSINESS

The following table summarizes our product portfolio and the status of each drug or drug candidate as of the Latest Practicable Date:

Field	Disease	Drug/ Drug Candidate	Target	Indication	Preclinical	Phase I	Phase II	Phase III	Commercialization Rights
Antiviral	HIV infection	Azvudine*	RT-eVif	HIV infection	NMPA conditional approval <sup>(1)</sup>				Global <sup>(3)</sup>
		CL-197	RT-p	HIV infection					Global
		All-oral long-acting composite tablet (Azvudine/CL-197)	RT-eVif/RT-p	HIV infection					Global
	COVID-19	Azvudine*	RdRp	COVID-19	NMPA conditional approval <sup>(2)</sup>				Global <sup>(3)</sup>
Antitumor	Solid tumor	Dosimertinib	EGFR	NSCLC					Global
		Azvudine/dosimertinib	DNA-MDSC/EGFR	NSCLC					Global
		Azvudine/PD-1*	DNA-MDSC/PD-1	Liver cancer <sup>(4)</sup>					Global
				Colorectal cancer <sup>(4)</sup>					Global
		ZS-1001 <sup>(5)</sup>	STING	Malignant tumor					Global
		ZS-1002 <sup>(5)</sup>	ENPP1	Malignant tumor					Global
		ZS-1003 <sup>(5)</sup>	TOPO1	Malignant tumor, Irinotecan-resistant tumor	ZSSW-136 <sup>(5)</sup>				
	ZS-1004 <sup>(5)</sup>	PSMA	Prostate Cancer, etc.	PCC Stage					Global
	Blood cancer	Azvudine*	DNA	Multiple myeloma <sup>(4)</sup>					Global
				Lymphoma <sup>(4)</sup>					Global
Acute leukemia <sup>(4)</sup>								Global	
		Azvudine/CTX*	DNA/chemotherapy	Lymphoma <sup>(4)</sup>					Global
CNS	AIS	MTB-1806	15-LOX-2	AIS					Global

\* Core Product

15-LOX-2: 15 lipoxygenase subtype 2

AIS: acute ischemic stroke

CNS: central nervous system

CTX: cyclophosphamide

EGFR: epidermal growth factor

receptor

ENPP1: ectonucleotide pyrophosphatase/phosphodiesterase 1  
MDSC: myeloid-derived suppressor cells  
NSCLC: non-small cell lung cancer

PD-1: programmed cell death protein 1

PSMA: prostate-specific membrane antigen

RdRp: RNA-dependent RNA polymerase

RT: reverse transcriptase

STING: stimulator of interferon genes

TOPO1: Topoisomerase I

Vif: a type of accessory protein in HIV

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## BUSINESS

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*Notes:*

- (1) We obtained a conditional approval of azvudine for the treatment of HIV infection from the NMPA in July 2021. Pursuant to the approval, we could commence commercial sales of azvudine for the HIV indication in China and shall conduct a Phase III clinical trial, submit safety reports periodically and submit a Phase III clinical trial report within five years from the date of approval. See “—Our Product Portfolio—Our Antiviral Drug and Drug Candidates—HIV Drug Pipeline—Azvudine.”
- (2) We obtained a conditional approval from the NMPA for indication expansion of azvudine to the treatment of common COVID-19 in adults in July 2022. Pursuant to the approval, we could commence commercial sales of azvudine for the COVID-19 indication in China and shall (i) conduct pharmacodynamic studies of azvudine against mutant variants of the SARS-CoV-2 virus; (ii) actively progress ongoing clinical trials of azvudine and submit trial reports upon completion; (iii) continue to collect efficacy and safety clinical data post-approval; and (iv) submit the required materials within three years of approval.
- (3) In April 2020, Henan Genuine entered into a framework agreement with Beijing Union to authorize Beijing Union to fully carry out registrations, clinical applications and market collaboration matters of azvudine in Russia and Ukraine. Beijing Union will be the MAH and act as the manufacturer of azvudine in Russia and Ukraine after it obtains marketing approval in these countries. As of the Latest Practicable Date, Beijing Union had completed phase III clinical trial for azvudine as a COVID-19 treatment and was approved for marketing by the Russian MoH in February 2023, but we had not generated any income under this collaboration arrangement. In June 2020, Henan Genuine entered into a tripartite framework agreement with Beijing Union and an Independent Third Party agent to authorize Beijing Union to cooperate with the agent to carry out registration applications, clinical trials and market collaboration matters of azvudine for treating COVID-19 in Brazil and the Union of South American Nations (UNASUR). In November 2021, Henan Genuine entered into a supplemental tripartite collaboration agreement, as further supplemented thereafter, with Beijing Union and an affiliate of the agent, who is also an Independent Third Party. Pursuant to these agreements, after azvudine for the COVID-19 indication is approved for marketing in Brazil, Beijing Union shall act as the manufacturer for such product in Brazil and the affiliate shall be the MAH of azvudine in Brazil and have exclusive marketing rights in Brazil and the other regions of South America.  
  
See “Business—Our Technology Transfer Arrangements and Collaborations” for details.
- (4) We had obtained an IND approval from the NMPA for the clinical trials of azvudine in patients with advanced solid tumors, and initiated a Phase I clinical trial in January 2025 with three patients enrolled as of the Latest Practicable Date, the results of which are expected to be used to support the design of future combination studies and full development of solid tumor indications. Such data will also be used to support the development for the treatment of blood cancer as the safety, tolerability and PK data are inherently applicable for later-phase clinical trials of other cancers.
- (5) ZS-1001, ZS-1002, ZS-1003 and ZS-1004 are our drug discovery projects under which one or more compounds may be found. As of the Latest Practicable Date, we had discovered a PCC compound, ZSSW-136, under project ZS-1003 and another ADC PCC compound under ZS-1004.

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- Azvudine, our Core Product, is a pyrimidine nucleoside drug with broad-spectrum antiviral activity. Azvudine was conditionally approved by the NMPA in July 2021 for the treatment of HIV-1 infected patients, which constitute over 90% of all HIV-infected patients globally, over age 18 and with high viral load. According to Frost & Sullivan, azvudine is the world’s only dual-targeted oral nucleoside drug for the treatment of HIV that acts as both an NRTI and a Vif co-protein inhibitor (NRTIs refer to nucleoside reverse transcriptase inhibitors, a class of first-line antiretroviral therapy (ART) drugs commonly used for the treatment of HIV infections, while Vif co-protein inhibitors protect a human enzyme with innate antiviral activity from the effects of HIV). Therefore, azvudine can be used in combination with antiretroviral drugs of different regimens as the backbone of multiple two- or three-arm ART regimens. It provides an effective and safe treatment option for HIV-infected patients, especially those who have developed resistance to existing nucleoside anti-HIV drugs. In our Phase II clinical trial, azvudine achieved clinical efficacy comparable to that of another popular NRTI (lamivudine) at only 1% of the latter’s dose level, and we believe it is less likely to result in drug-resistance compared to single-target NRTIs given its dual-target mechanism. To further exploit the strength of azvudine, we also plan to develop the azvudine/CL-197 composite tablet for the treatment of HIV infection with azvudine being the main ingredient. Animal studies have demonstrated that both azvudine and CL-197 have a half-life of 168 hours, and we believe that azvudine/CL-197 combination tablet has the potential to be the first global all-oral long-acting and once-weekly administered combination drug to enhance patient compliance.
- Azvudine is the first NMPA-approved oral antiviral treatment for COVID-19 developed by a Chinese company, which was conditionally approved by the NMPA for the treatment of common COVID-19 in adults in July 2022. As an RNA-dependent RNA polymerase (RdRp) inhibitor, azvudine can effectively suppress the replication of SARS-CoV-2, the virus causing COVID-19. Moreover, as the target of azvudine, the virus’ RdRp, remains relatively conserved with a low mutation rate, it has the potential to maintain its efficacy against new variants of the virus. In addition, it not only inhibits viral replication but also enhances immune function, achieving a dual effect of “addressing both symptoms and root causes.” Azvudine showed significant benefits in clinical applications: it not only significantly alleviated clinical symptoms of patients with COVID-19 by reducing patients’ viral load and hospitalization time, but also effectively reduced risks of all-cause mortality and composite disease progression. In addition, there are few drug interactions of azvudine, so it is considered safe for patients with pre-existing conditions without having to adjust combination therapy regimen. As of the Latest Practicable Date, a total of 70 research papers on azvudine had been published by independent third-party research institutions in eClinical Medicine (a sub-journal of The Lancet), Signal Transduction and Targeted Therapy (a sub-journal of Nature, a journal of cytology), the Journal of Medical Virology in the USA and etc., which has demonstrated the superior safety and efficacy of azvudine. Furthermore, the wide application of azvudine in various patient populations showed that the adverse reaction incidence rate of azvudine was only 0.029% and most patients were able to recover fully after experiencing adverse reactions. Azvudine has also been officially included in the NRDL and made available in 31 province-level divisions, covering

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over 50,000 medical institutions nationwide in China. With a relatively low price per bottle, azvudine is an affordable treatment option with low economic burden and has significantly improved treatment accessibility and affordability.

- As the only nucleoside-based drug with dual mechanisms and high selectivity in the past 30 years, azvudine can further exert its anti-tumor effects by inhibiting DNA synthesis in tumor cells and enhancing immunity through immunomodulation. Specifically, (i) azvudine can inhibit cancer cell proliferation by terminating DNA strand elongation and interfering with various enzymes involved in the synthesis of nucleic acids in cancer cells. The tumor inhibition effect of this mechanism correlates with the expression of dCK; it is particularly pronounced in tumor tissues with high dCK-expressing tumors, such as lymphoma and leukemia; and (ii) azvudine can also act as an immunomodulator, significantly reducing the over-clustering of myeloid-derived suppressor cells (MDSCs) in tumor microenvironment and promoting the infiltration and expansion of CD8+T, CD4+T cells and natural killer (NK) cells, thereby exerting the tumor inhibition effect. The tumor inhibition effect of this mechanism correlates with the expression of MDSCs in tumor microenvironment, and such effect will be even better in solid tumors with higher infiltration of MDSCs, such as liver cancer, colorectal cancer and NSCLC. Through these two mechanisms, in our preclinical studies, azvudine demonstrated promising inhibitory activity against multiple cancer. Therefore, we are developing (i) azvudine/anti-PD-1 as combination therapy for the treatment of liver and colorectal cancer, where 100% tumor remission was observed in animal studies; (ii) azvudine/dosimertinib for the treatment of NSCLC, demonstrating a 92.82% tumor inhibition rate in animal models; and (iii) azvudine monotherapy and azvudine/CTX for blood cancer, where single-agent treatment showed a significant inhibitory effect on blood tumors and combination treatment achieved 100% tumor remission in animal studies. We had obtained an IND approval from the NMPA for the clinical trials of azvudine in patients with advanced solid tumors, and initiated a Phase I clinical trial in January 2025 with three patients enrolled as of the Latest Practicable Date, the results of which are expected to be used to support the design of future combination studies and full development of solid tumor indications. Such data will also be used to support the development for the treatment of blood cancer as the safety, tolerability and PK data are inherently applicable for later-phase clinical trials of other cancers.
- CL-197 is a novel oral HIV drug candidate under development with potential long-acting mechanism as demonstrated in pharmacokinetic studies in animal models under oral gavage administration with an half life of over 168 hours. CL-197 will be administered orally and has the potential of being administered only once per week. Such relatively convenient drug regimen may also improve compliance and thus improve clinical outcomes. We also plan to develop the azvudine/CL-197 composite tablet that has the potential to be the first global all-oral long-acting and once-weekly administered combination drug, which will correspond to high clinical demand, according to Frost & Sullivan, benefiting from the potential combined long-acting effect and combined mechanisms of azvudine and CL-197 as well as the potential improved patient compliance. We submitted an IND application for CL-197 in China in July 2022 and received the IND approval in October 2022. We commenced the Phase I clinical trial for CL-197 in China in August 2023. As of the Latest Practicable Date, the last subject had completed treatment and we were in the process of data analysis for this trial.



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- Dosimertinib is a highly potent, selective and orally administered epidermal growth factor receptor (EGFR)-targeting drug candidate, for the treatment of advanced EGFR mutation-positive NSCLC, one of the most prevalent types of lung cancer in China. Dosimertinib is designed to address the medical needs of advanced NSCLC patients harboring EGFR mutations that are resistant to previous generations of targeted drugs, which are usually mutation-specific and could become less effective toward newly emerged mutations. In terms of molecular structure, dosimertinib is a “deuterated” version of osimertinib, an FDA- and NMPA-approved treatment for NSCLC, where multiple hydrogen atoms are substituted with deuterium. Such substitution leads to positive impact on the pharmacokinetic, therapeutic and toxicological profile of select compounds. In our *in vitro* assays and animal studies, dosimertinib demonstrated efficacy comparable to osimertinib, with the level of toxic metabolites reduced by as much as 80%. Preclinical pharmacokinetic studies have shown that the levels of the parent drug, dosimertinib, are higher in lung and brain tissue than those of osimertinib, giving dosimertinib an advantage in the treatment of lung cancer and brain metastases. As of the Latest Practicable Date, we had recruited 23 patients for the Phase I clinical trial and have completed the dose escalation stage. We have observed an overall good safety profile and good dose-related efficacy from the preliminary trial results. The results showed dosimertinib has a similar efficacy to osimertinib but with a better safety profile.

### **Strong Production, Commercialization Capabilities, and Pipeline Advantages**

We have established our own manufacturing facilities, enabling an annual production capacity of approximately three billion tablets. These facilities are GMP-certified and are fully equipped to meet our current commercialization needs. In parallel, we have built a professional commercialization team and a comprehensive commercialization management system, and also established online and offline sales channels. Azvudine was officially included in the NRDL in 2023, and remained in NRDL after the successful renewal negotiation in 2024, maintaining both its reimbursement scope and pricing, ensuring stability and broad market access. Azvudine has been made accessible in 31 province-level administrative regions, covering over 50,000 medical institutions nationwide, which enables its availability in such medical institutions after it obtains approvals for new indications without repeating medical institution admission procedures, further strengthening azvudine’s market position.

### **COMPETITIVE STRENGTHS**

#### **A competitive pipeline of innovative drugs for the treatment of HIV infection providing more convenient and effective treatment options for HIV patients worldwide**

According to Frost & Sullivan, approximately 42.9 million people globally were living with HIV in 2023. The global HIV drug market increased from US\$35.3 billion in 2018 to US\$43.1 billion in 2023, and is expected to further increase to US\$59.5 billion in 2030, representing a CAGR of 4.7% from 2023 to 2030.

Antiretroviral therapy (ART) is the current standard of care for the treatment of HIV infection. Successful ART requires lifelong treatment with frequent administration of multiple classes of antiretroviral medications, also known as combination ART (cART). On the one hand, if a patient misses doses, drug resistance may develop, which may cause life-threatening disease progression. On the other hand, prolonged drug exposure may lead to the emergence of drug-resistant HIV strains that could render the existing antiretroviral drugs partially or fully inactive. Accordingly, improving compliance and reducing drug resistance risks are two focuses of HIV therapy development.



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Leveraging our R&D team’s track record in developing antiviral drugs, we have built a pipeline of HIV drug, drug candidate and combination treatment at various stages of research and development. We aim to provide HIV patients around the world with more convenient and effective drug choices and treatment regime.

***Azvodine: the world’s first nucleoside-based orally-administered reverse transcriptase (RT) and accessory protein Vif dual-target inhibitor treating HIV infection***

Azvodine, our Core Product, was conditionally approved by the NMPA in July 2021 as a national Class 1 innovative drug for treating HIV-1 infected adults with high viral load. It is the world’s first pyrimidine nucleoside antiviral drug targeting both RT and Vif for the treatment of HIV infection, according to Frost & Sullivan. Azvodine has a number of advantages, including:

- ***Good Efficacy.*** In our Phase II clinical trial of azvodine for the treatment of HIV infection, daily administration of azvodine, in combination with two other antiretroviral drugs as a cART regimen, showed good anti-HIV-1 efficacy and was able to significantly inhibit HIV-1 replication. In the trial, the clinical efficacy of daily administration of 3 mg azvodine was comparable to that of daily administration of 300 mg lamivudine, a nucleoside analogue commonly used in first-line combination therapy for treating HIV infection.
- ***Lower risk of drug resistance.*** Nucleoside analogues are an important class of antiviral agents commonly used in the treatment of HIV infection. Prevalent long-term use of such drugs has led to a large drug-resistant population. According to a report published by the WHO in 2021, after receiving first-line ART treatment, over 83.1% of HIV-infected patients with a viral load exceeding 1,000 copies/ml developed resistance to the NRTIs in their regimens. However, in an *in vitro* study, azvodine showed potent inhibition on multiple NRTI-resistant HIV virus strains and activity against M184V mutation. In addition, due to its dual-target mechanism of action, we believe azvodine is less likely to result in drug-resistance compared to single-target NRTIs.
- ***Potential to be an oral long-acting treatment.*** Our recent animal studies showed that active azvodine could be detected in peripheral blood mononuclear cells (PBMC) 168 hours after oral gavage administration. As such, azvodine has the potential to be part of an oral long-acting combination treatment of HIV infection that could considerably extend the time interval between doses and thus improve compliance.

In addition, azvodine has been listed as one of the National Science and Technology Major Projects (Major New Drug Innovation) in China. We were granted a first prize of the Henan Province Technological Invention Award (河南省技術發明獎一等獎) for azvodine as a dual-target HIV treatment. Azvodine was included in the 2021 and 2024 China AIDS Treatment Guidelines after it was approved by the NMPA, solidifying its position as a recommended drug for HIV treatment.

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Given azvudine's dual-target mechanism of action, its outstanding efficacy and potential to be an option for long-lasting medication for HIV-infected patients, especially those who have become resistant to existing nucleoside-based anti-HIV drugs, we believe that azvudine has significant commercial value.

### ***CL-197: a next-generation orally administered and long-acting drug candidate for HIV***

We are developing CL-197 as a next-generation, orally administered and long-acting purine nucleoside antiviral drug. Pharmacokinetic studies in animal models via oral gavage administration have shown that CL-197 has a half-life of approximately 168 hours in PBMC, demonstrating its potential long-acting feature, which may help enhance compliance.

Thanks to prolonged virologic suppression and improved clinical outcomes, HIV patients now have a longer survival period and are likely exposed to antiretroviral agents for decades. Therefore, the current R&D of HIV drugs focuses on improving drug safety, resistance and treatment simplification (such as a single-tablet and/or less frequent dosing regimen) for improved compliance. We believe that CL-197 is in line with the global trend of developing next-generation HIV drugs with improved safety, efficacy and compliance profile. We received the IND approval for CL-197 in China in October 2022 and initiated a Phase I clinical trial in August 2023. As of the Latest Practicable Date, the last subject had completed treatment and we were in the process of data analysis for this trial.

### ***Azvudine/CL-197 composite tablet: potentially first global innovative all-oral long-acting HIV treatment regimen***

We are actively developing the azvudine/CL-197 composite tablet. Combination ART (cART) has proven to be a highly effective therapy for HIV patients. They can reduce drug resistance from compliance to single medication and inhibit virus replication, thus delaying patients' disease progression, extending their lives and improving their quality of life. Among the various drug classes in cART, NRTIs are a widely preferred backbone drug critical for the successful suppression of the virus. Particularly, according to Frost & Sullivan, with the long commercialization history of NRTIs, the research and studies on mechanisms of NRTIs are comprehensive and suggest that NRTIs remain an effective therapy with relatively mild side effects.

A wide range of potential options exist for azvudine, our NMPA-approved novel NRTI HIV drug, to combine with other antiretroviral drugs to form effective cART regimens for the treatment of HIV infection. For example, both azvudine and our drug candidate CL-197 have demonstrated long-acting features in preclinical trials, the combination of which has the potential to form the first all-oral long-acting and weekly administered composite tablet globally, which would benefit from combined mechanisms of action to treat HIV infection potentially, and through the combined action on three targets, the composite tablet is by itself a cocktail therapy for the treatment of HIV infection, and the emergence of drug resistance could be effectively reduced.

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### *Continuing advancement in HIV drug discovery*

To provide more clinical data to support the choices of combination drugs and bring more novel and effective treatment options for HIV patients, we have conducted, and will continue to conduct, clinical trials on azvudine’s drug-drug-interaction with multiple drugs to explore the full potential of azvudine.

We believe that we have a distinctive advantage in the field of HIV drug discovery, given our successful experience in the R&D of HIV drugs and our comprehensive portfolio of innovative drug and drug candidates. We are committed to bringing more innovative drugs and treatments to HIV patients in China and overseas, which will further solidify our recognized position in HIV drug development.

### **A robust anti-tumor pipeline with innovative and potentially breakthrough treatments to address significant unmet medical needs from cancer patients**

Malignant tumor is a major disease that threatens the well-being and life of human beings. In 2023, there were 20.8 million new cases of malignant tumor globally. From 2018 to 2023, the global oncology drug market expanded from US \$128.1 billion to US\$228.9 billion, at a CAGR of 12.4%. It is expected to reach US\$419.8 billion in 2030, at a CAGR of 9.1% from 2023 to 2030. The Chinese oncology drug market is expected to grow from RMB157.5 billion in 2018 to RMB241.6 billion in 2023, at a CAGR of 7.2%. It is expected to continue growing strongly, reaching RMB548.4 billion by 2030, at a CAGR of 12.4% from 2023.

Due to the unrestricted growth, infiltration and metastasis of malignant tumors, conventional treatment methods such as surgical resection and radiotherapy cannot completely remove or completely kill tumor cells, and tumor metastasis or recurrence often occurs. For unresectable locally advanced or metastatic solid tumors, the mainstream treatment strategy is still drug therapy. Cytotoxic chemotherapeutic drugs have been limited by their significant toxic side effects and drug resistance. In recent years, immunotherapy based on immune checkpoint inhibitors (ICI) such as programmed cell death receptor-1 (PD-1) or programmed cell death ligand-1 (PD-L1) has developed rapidly, but the efficiency of immunotherapy still faces great challenges. At present, most patients still do not respond to PD-1/PD-L1 blockade, and drug resistance is a huge obstacle to achieving the best clinical results. We focus on developing innovative drugs to address intractable diseases with limited safe and effective treatment options and to address drug resistance. Specifically, as of the Latest Practicable Date, our pipeline included a number of anti-tumor products in various stages of development, covering the treatment of various types of tumors.

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### *Azvodine: potential novel nucleoside-based broad-spectrum anti-tumor drug*

As the only highly selective nucleoside drug with a dual mechanism in the past 30 years, azvodine has a dual anti-tumor mechanism, *i.e.*, it can inhibit the DNA synthesis of tumor cells and improve immunity through immune regulation to exert further anti-tumor effects. Specifically, (i) azvodine can inhibit cancer cell proliferation by terminating DNA chain elongation and interfering with various enzymes involved in nucleic acid synthesis in cancer cells. The tumor suppressive effect of this mechanism is related to the expression of dCK; for tumor types with high expression of dCK in tumor tissue, such as lymphoma and leukemia, the tumor suppressive effect is particularly significant; and (ii) azvodine can also be used as an immunomodulator, significantly reducing the over-clustering of myeloid-derived suppressor cells (MDSCs) in the tumor microenvironment, promoting the infiltration and proliferation of CD8+T, CD4+T cells and natural killer (NK) cells, thereby exerting an antitumor effect. The tumor-suppressing effect of this mechanism is related to the expression of MDSCs in the tumor microenvironment, and the effect is better in solid tumors with more MDSCs infiltration, such as liver cancer, colorectal cancer, non-small cell lung cancer, etc.

To seize market opportunities and leverage the dual anti-tumor mechanism of azvodine, we had obtained an IND approval from the NMPA for the clinical trials of azvodine in patients with advanced solid tumors, and initiated a Phase I clinical trial in January 2025 with three patients enrolled as of the Latest Practicable Date, the results of which are expected to be used to support the design of future combination studies and full development of solid tumor indications. Such data will also be used to support the development for the treatment of blood cancer as the safety, tolerability and PK data are inherently applicable for later-phase clinical trials of other cancers.

Combination therapy, through targeting multiple pathways, has become a trend in cancer treatment. Combination therapy involves the combined administration of drugs with complementary mechanisms of action that may lead to notable improvements in cancer patients' survival rates, overall survival time and quality of life. Furthermore, in comparison with monotherapy, combination therapy has the potential to delay the occurrence of certain drug resistance due to complementary mechanisms of action of the various drugs used. Consequently, we are actively engaged in research and development to explore the potential of combining azvodine with tumor immunotherapy drugs (*e.g.*, agents targeting PD-1), targeted therapy drugs (*e.g.*, dosimertinib), and chemotherapy drugs (CTX), aiming to further explore the clinical and commercial potential of azvodine. As of the Latest Practicable Date, we had initiated the R&D of the following combination therapies involving azvodine:

- *Azvodine/Anti-PD-1*: The combination therapy could reactivate T cells via PD-1 pathway suppression, resulting in anti-tumor effects. We are conducting preclinical studies of azvodine/Anti-PD-1 in liver cancer and colorectal cancer. In our preclinical study, the combination therapy of azvodine and anti-PD-1 showed a 100% complete tumor remission in animal models with liver cancer or colorectal cancer with no tumor recurrence on day 100 after treatment was discontinued. In addition, in a re-challenge experiment for colorectal cancer in mice, tumor cells

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were inoculated again into mice whose tumors had been completely eliminated by treatment, and the mice exhibited long-term immune memory and rejection of tumor cells. The tumors did not recur after 30 days of observation. In an investigator-initiated trial in human subjects, 100% of NSCLC patients who progressed after last-line treatment achieved effective disease control, and 75% of colorectal cancer patients achieved effective disease control. We are initiating further clinical trials in leading hospitals in Beijing and Shanghai to facilitate the development of solid tumor indications of azvudine to address unmet clinical needs in this field. We plan to submit IND applications for the two indications to the NMPA in 2025.

- *Azvudine/dosimertinib*: The combination therapy of azvudine/dosimertinib blocks the epidermal growth factor receptor (EGFR) signaling pathway by targeting EGFR, thereby suppressing tumor cell proliferation and metastasis. Our preclinical *in vivo* studies have demonstrated that azvudine exhibits significant inhibitory effects on non-small cell lung cancer (NSCLC) with the presence of the EGFR T790M mutation, a common cause of acquired resistance to certain EGFR tyrosine kinase inhibitors (TKIs). Furthermore, it has shown synergistic effects when used in combination with dosimertinib, an EGFR-TKI that is active against T790M mutation. We have completed the preclinical studies of azvudine/dosimertinib in NSCLC and submitted an IND application to the NMPA in November 2024.
- *Azvudine/CTX*: The combination therapy of azvudine/CTX utilizes the mechanisms of azvudine as well as CTX, an alkylating agent that could prevent cell proliferation by cross-linking DNA strands and inhibiting DNA synthesis, to impede tumor cell growth and proliferation. In our preclinical study, the combination treatment of azvudine and CTX was administered for two weeks at the same dose level, and complete tumor elimination was achieved in all models in the combination group. The subjects remained free of tumors recurrence upon continued observation. We are conducting preclinical studies of azvudine/CTX in lymphoma and plan to submit an IND application to the NMPA in 2025.

In addition, our *in vitro* and *in vivo* studies have demonstrated the effectiveness of azvudine monotherapy for hematological tumors. Compared to other hematological oncology drugs, azvudine shows potential advantages in terms of improved patient compliance, safety, immune enhancement, and high efficacy. *In vitro* studies have shown that azvudine inhibits cell proliferation by inducing apoptosis and cell cycle arrest in multiple hematological tumor cell lines after 24 hours of treatment. In another preclinical study conducted in the Molt 4 and Daudi cell lines (T-lymphoblast and B-lymphoblast cell lines widely used in *in vitro* studies of hematological tumors), azvudine showed stronger inhibitory activity than cytarabine (another antineoplastic nucleoside drug). Our *in vivo* studies also showed that azvudine (2 mg/kg) achieved 100% tumor remission in the Jeko-1 model and 100% tumor remission in the Jurkat model. We had obtained an IND approval from the NMPA for the clinical trials of azvudine in patients with advanced solid tumors, and initiated a Phase I clinical trial in January 2025 with three patients enrolled as of the Latest Practicable Date. Such data will also be used to support the development for the treatment of blood cancer as the safety, tolerability and PK data are inherently applicable for later-phase clinical trials of other cancers.

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Based on the preclinical and IIT outcomes of various combination therapies and monotherapy we believe such therapies have the potential to serve as effective treatment options for cancer patients. We aim to accelerate the R&D process of azvudine, as monotherapy as well as part of combination therapies, in the anti-tumor field and aspire to establish ourselves as a competitive biotech company in oncology.

### ***Dosimertinib: third-generation new EGFR TKI drug candidate with potential better safety profile***

Lung cancer is the most common type of cancer in China. China’s lung cancer incidence reached approximately 1.1 million in 2023, accounting for 42.7% of the global total in the same year. Among all patients with lung cancer, approximately 85% are diagnosed with NSCLC, a considerable portion of which harbor EGFR mutations, one of the most common driver gene mutations for NSCLC. According to Frost & Sullivan, a meta-analysis in 2022 indicated that EGFR mutation-positive NSCLC patients accounted for 49.1% of all NSCLC patients in Asia. EGFR-targeting drugs such as EGFR-TKIs are commonly used as first-line treatment of advanced EGFR mutation-positive NSCLC. According to Frost & Sullivan, the EGFR-TKI market size in China was RMB15.8 billion in 2023, and is expected to increase to RMB40.1 billion in 2030.

Dosimertinib is a clinical-stage, Class 1 innovative third-generation EGFR-TKI drug candidate with a potentially favorable safety profile. Compared to osimertinib, a widely used third-generation EGFR-TKI, preclinical trial results showed that dosimertinib can reduce the amount of potential toxic metabolites by as much as 80% with the same level of efficacy, and thus is expected to have a better clinical safety profile. Preclinical pharmacokinetic studies have shown that the levels dosimertinib are higher in lung and brain tissue than those of osimertinib, demonstrating dosimertinib has an advantage in the treatment of lung cancer and brain metastases. We are conducting a Phase I/Phase II clinical trial in China to investigate the safety and efficacy of dosimertinib and expect to complete such trial in 2025. As of the Latest Practicable Date, we had enrolled 23 patients for this trial and had completed the dose escalation stage of dosimertinib. According to the latest trial results, no DLTs were observed in the dosimertinib 20 mg, 40 mg, 80 mg, 160 mg, 200 mg or the 240 mg dose group, overall safety profile was good, and we have also preliminarily observed a good dose-related efficacy. To summarize, the preliminary trial results showed that dosimertinib has a similar efficacy to osimertinib but with a better safety profile. The tumor assessments of three patients in the 240 mg dose group showed significant efficacy, with one patient assessed as SD with shrinkage and the disappearance of non-target lesions in the brain, and two patients assessed as PR, with one of whom experiencing with the disappearance of three non-target lesions (left upper lobe of the lung, left lower lobe of the lung, and left pleura). We believe that, given its potentially better safety profile, dosimertinib could become a competitive treatment option for EGFR mutation-positive NSCLC.



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### ***Project ZS-1003: to discover next generation topoisomerase I (TOPO1) inhibitor***

Project ZS-1003 aims to discover anti-cancer drug targeting topoisomerase I (TOPO1) enzymes. TOPO1 enzymes participate in the overwinding or underwinding of DNA and are particularly vulnerable to TOPO1 inhibitors during their cleavage reaction, meaning they can be trapped by anticancer drugs as they cleave DNA in cancer cells.

Over the past few decades, the most widely used TOPO1 inhibitor has been irinotecan, a camptothecin (a naturally occurring alkaloid found in many plants) derivative, which has become the backbone of various anti-tumor combination therapies. Camptothecin and its derivatives, such as irinotecan, have been used as standard chemotherapeutic agents for more than 60 years. However, the improvement of camptothecin-based drugs has mainly focused on modifying the side chains of their parent nucleus without changing the five-ring planar structure of the core. As such, the existing drugs mostly share the same type of core structure. Camptothecin-based drugs face the problems of primary and post-treatment drug resistance, which is a shared challenge faced by the industry. Utilizing an AI-Computer Assisted Drug Design (CADD) approach, we successfully replaced one of the five rings for the core nucleus of camptothecin, which led to the discovery of a new generation of innovative small-molecule TOPO1 inhibitor and a novel ADC toxin platform with strong global IP protection positions, which adopts a non-conventional parent nucleus structure of camptothecin to address the drug resistance challenge induced by the traditional class of camptothecin drugs.

Currently, ZS-1003 has completed the discovery of the first PCC compound for small molecule drugs, *i.e.* ZSSW-136. This PCC molecule exhibit broad-spectrum antitumor activity and can effectively inhibit dozens of cancer cells at nanomolar concentrations; it showed 400-fold greater activity in comparison with irinotecan in multiple experiments of patient-derived irinotecan-resistant tumor organoids; and more importantly, it can completely inhibit tumor growth in the PDX animal model for irinotecan-resistant tumors overcoming irinotecan-resistance, which will address a significant clinical unmet medical need. We have discovered hundreds of novel molecules through ZS-1003, from which we have selected several payload compound candidates with best-in-class potential payload properties: our payload molecules are comparable in anti-tumor activity to commonly used ADC payloads (e.g. SN-38, DXd, and other camptothecin-based compounds), but with much improved druggability (e.g. membrane permeability, non-exocytosis, etc.). We have discovered numerous payload candidates with more than 50-fold higher potency compared to DXd in the DXd-resistant cancer cell lines; preparation of new ADC drugs with these novel payloads are in progress which will aim to overcome emerging resistance to current ADC drugs with TOPO1 inhibitors as payloads. More importantly, our payload molecules have a completely new parent nucleus structure, thus potentially addressing the drug resistance issue of commonly used payloads. Since the new generation of payloads can overcome drug resistance, which is a recognized challenge in the field of tumor therapy, and there is no reported new payloads that could overcome the DXd resistance challenge, we will commence BD and external collaboration work to promote the application of our new payload technology platform to various XDC (ADC, PDC, SMDC, etc.) drug conjugate projects, resulting in a wide range of new drugs that will benefit our patients and simultaneously create significant commercial values via licensing fees (such as upfront and milestone payments). We have submitted abstracts to 2025 AACR and EACR conferences to highlight our novel payload platform to address resistance to ADC drugs with DXD/SN-38 analogs as payloads.



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We plan to submit the IND application for ZSSW-136 within 2025 and commence clinical trials in 2026.

### **The first NMPA-approved oral antiviral treatment for COVID-19 developed by a Chinese company**

Azvudine, our Core Product, is a novel nucleoside-based direct-acting antiviral (DAA) drug, conditionally approved by the NMPA for the treatment of common COVID-19 in adults. It is the first NMPA-approved oral DAA treatment for COVID-19 developed by a Chinese company. In April 2023, azvudine became the first domestically developed small-molecule oral medication for COVID-19 included in the NRDL. We were granted a first prize of the Henan Province Technological Invention Award (河南省技術發明獎一等獎) for azvudine as a COVID-19 treatment. As of the Latest Practicable Date, azvudine had successfully completed the required online publication procedure for drugs covered by national medical insurance in 31 province-level divisions, covering over 50,000 medical institutions nationwide. This extensive coverage ensures the effective fulfillment of public medication needs.

As an RNA-dependent RNA polymerase (RdRp) inhibitor, azvudine can effectively suppress the replication of SARS-CoV-2, the virus causing COVID-19, through incorporation into viral RNA, thereby terminating viral RNA chain elongation and virus replication. In the Phase III clinical trials in China and Russia, azvudine demonstrated clear clinical benefit in COVID-19 patients. Azvudine demonstrated significant benefits in clinical applications: it not only significantly alleviated clinical symptoms of patients with COVID-19 by reducing patients’ viral load and shortening hospitalization time, but also effectively lowered the risks of all-cause mortality and composite disease progression. In addition, azvudine has few drug interactions making it a safe option for patients with pre-existing conditions without the need to adjust combination therapy regimen. Furthermore, azvudine, widely used in various patient populations, demonstrated an adverse reaction incidence rate of only 0.029% and most patients have been able to alleviate fully after experiencing any adverse reactions.

As of the end of 2023, multiple mutant strains of SARS-CoV-2 had emerged around the world, including Alpha, Beta, Delta, Theta, Mu, Omicron, among other variants. Some of the variants have demonstrated robust capability to escape from treatments in the market due to mutations in the spike protein. Therefore, it is particularly necessary to develop medications with broad-spectrum inhibitory activity against mutant strains of SARS-CoV-2. According to Frost & Sullivan, studies of the currently known variants of the virus show that the SARS-CoV-2 RdRp, the target of azvudine, is relatively conserved with a low mutation rate, suggesting its suitability as a broad-spectrum antiviral target for coronaviruses and azvudine’s potential to maintain activity against antibody-escaping variants of the virus. After azvudine was approved for marketing for the COVID-19 indication in China, it has demonstrated promising efficacy profile against the prevailing variants, including Omicron, according to studies based on post-marketing real-world data.

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According to Frost & Sullivan, as of December 31, 2023, there had been over 99 million and 772 million COVID-19 infection cases in China and worldwide, respectively; as of the same date, there had been over 0.1 million and 7 million COVID-related deaths recorded in China and worldwide, respectively, imposing serious challenges to global healthcare resources and bringing major damage to public health systems. Although the COVID-19 pandemic had gradually waned since the beginning of 2023, unpredictable seasonal surges may continue to occur, particularly during the winter season. For example, according to a report from the WHO in February 2024, there were over 0.5 million new COVID-19 cases reported between January 2024 to February 2024. We believe that azvudine, as an oral RdRp inhibitor, remains an effective medication to treat COVID-19, given its feature of convenient administration, and potential for maintaining relatively high efficacy toward new mutant strains. In addition, as an increasing global population has been experiencing long COVID symptoms following COVID-19 infection, we plan to explore the potential of azvudine for treating long COVID in overseas markets.

### **Integrated and comprehensive drug R&D platforms with proven capabilities in clinical development and experience in drug registration**

We have established drug R&D platforms in Shanghai and Shenzhen and formed an experienced, professional and efficient in-house R&D team, driven by innovation and equipped with a global perspective. Leveraging our extensive experience in drug development, we have established integrated and comprehensive drug R&D platforms including (i) a highly selective novel nucleoside broad-spectrum anti-tumor drug R&D platform, (ii) a TOPO1 inhibitor and XDC drug R&D platform, (iii) a drug target discovery and validation platform, and (iv) an innovative drug design and optimization platform, covering the entire drug development process. With our R&D platforms, we have already discovered the potential of azvudine to inhibit tumor and enhance anti-tumor effect of other treatments, so that we are exploring the indication expansion and combination therapies of azvudine with other anti-tumor drugs. We have also discovered ZSSW-136, a new generation of innovative small-molecule TOPO1 inhibitor and a novel ADC payload to address the drug resistance challenge induced by the traditional class of camptothecin drugs and commonly-used payloads through our TOPO1 inhibitor and XDC drug R&D platform. Our drug target discovery and validation platform enables us to quickly verify the efficacy after we design, modify and optimize the lead compounds through our drug design and optimization platform.

In addition, guided by the relevant authorities of Henan Province, we have led the establishment of Henan Modern Pharmaceutical Industry Research Institute, a provincial-level industry research institute aimed at facilitating research institution and enterprise cooperation and accelerating the transformation and upgrade of the pharmaceutical industry. We believe the integrated approach for academia, research, and application, among other areas, adopted by the institute and the guidance and policy support from relevant authorities could further enhance our R&D capability.

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Our team members have proven record in clinical development and successful drug registration. Our team, in collaboration with CROs and business partners, has successfully conducted clinical trials in China, Russia and Brazil, and has completed the registration of azvudine for two indications, namely, HIV and COVID-19, in China. We have also established and strictly enforced standard operating procedures for clinical trials to make sure our clinical trial operations are in compliance with the relevant GCP requirements of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) and the applicable regulatory requirements.

### **Strong Production, Commercialization Capabilities, and Well-established Sales Channels**

Our production bases are equipped with industry-leading manufacturing facilities and technologies, which comprehensively cover the entire manufacturing cycle, including granulation, drying, mixing, tablet compressing, primary packaging, secondary packaging and quality inspection. This all-round and integrated production capacity ensures the stability and consistency of product quality, greatly improves production efficiency and shortens the product launch cycle. Our annual production capacity is approximately 3 billion tablets, which not only meets our current market demand but also leaves plenty of room for future market expansion. In terms of quality control, our production base strictly follows the relevant regulations and standards of the NMPA and successfully passed the Good Manufacturing Practice (GMP) compliance inspection in May 2022. Our production and supply capabilities have laid a solid foundation for our long-term stable growth.

We have also developed a comprehensive commercialization strategy for azvudine and the investigational drug candidates, maximizing product value through an online and offline omni-channel promotion model combined with academic promotion. We have established a professional commercialization team covering multiple functions such as marketing, medical value, market access, digital marketing, and distributor management to ensure that products can be quickly promoted and achieve market penetration.

In terms of business and marketing management, we have established a rigorous compliance and cost management system to ensure that market practices comply with industry standards. At the same time, we have improved operational efficiency through an intelligent order system and continuously optimized our marketing strategies based on data analysis. We have established an offline dealer network across the country and signed contracts with 49 dealers to ensure product accessibility. In terms of online sales, we cooperate with mainstream e-commerce platforms to use digital marketing to promote the brand's influence. In addition, we work closely with CSOs to ensure the effective implementation of market strategies, and improve marketing effectiveness through a rigorous selection and performance appraisal mechanism.

In terms of product price management, azvudine was officially included in the NRDL in April 2023, and remained in the NRDL after our successful negotiation completed in November 2024. The scope of payment and payment price remain unchanged, ensuring the price stability of the product and broad market access. Azvudine has already covered more than 50,000 medical terminals in 31 provinces and cities across the country. In the future, after the approval of new indications, it can directly enter the hospital channel without repeating the hospital access procedure, further consolidating its market position.

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### **Proven management team with good track record and support from professional investment institutions**

Our management team is composed of experienced pioneers in drug R&D, with an average of around 30 years of experience in drug R&D and clinical trial management.

- Dr. Du Jinfa, our chief executive officer and chief scientific officer, has over 31 years of experience in drug discovery in the pharmaceutical and biotech industry and has been recognized as “State Specially Recruited Experts (國家特聘專家)” by the PRC government. Prior to joining us, Dr. Du served as the chief executive officer and chief scientific officer of Meitaibao, a biotech company founded by Dr. Du himself, senior research scientist II at Gilead Sciences, Inc. and associate director of chemical research at Pharmasset Inc. Both Gilead Sciences and Pharmasset are pharmaceutical companies focused on the development of antiviral drugs. During his employment at Pharmasset, Dr. Du, as one of the inventors, participated in the R&D of sofosbuvir (also known as sovaldi), a revolutionary drug for treating hepatitis C (HCV), which won the Prix Galien Award granted by the Galien Foundation in 2014. *Cell* has commented that sofosbuvir contribution to the cure of HCV is regarding as one of the most significant public health accomplishments of our generation.
- Dr. Dang Qun, our president and chief business officer, has over 31 years of experience in the pharmaceutical and biotech industry. Prior to joining us, Dr. Dang served as vice president of CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd.\* (石藥集團中奇製藥技術(石家莊)有限公司), a wholly-owned subsidiary of CSPC Pharmaceutical Group Limited (石藥集團有限公司), vice president at Qilu Pharmaceutical Co., Ltd. (齊魯製藥有限公司), Asia head of external innovation for endocrine and cardiovascular system at the Lilly China Research and Development Center, director of foreign cooperative chemical projects at Merck Sharp & Dohme Corp. and director of medicinal chemistry at Metabasis Therapeutics, Inc. Dr. Dang participated in the R&D of various drugs and drug candidates for clinical use, including a first generation and a second generation FBPase inhibitor for the treatment of type II diabetes.
- Dr. Luo Feng, our senior vice president and chief development officer, has over 32 years of experience in pharmacology research and pharmaceutical industry, particularly in oncology. He led or supported multiple NDA programs for innovative drugs, most notably Loncastuximab tesirine, a CD-19 ADC for lymphoma, Abivertinib, an EGFR inhibitor for lung cancer, Erdafitinib, an FGFR inhibitor for urothelial cancer, and Dasatinib, a BCR-ABL inhibitor for leukemia. He held key leadership positions in various biopharmaceutical enterprises, with solid experience in translational research, clinical development and executive management.

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- Dr. Guo Chang Yue, our vice president and general manager of Shenzhen Genuine, has over 30 years of experience in medical and clinical research. Prior to joining us, Dr. Guo worked at University of Virginia Health System in the United States and served as a physician and the international medical center director of Shenzhen Vista-SK International Medical Center. As of the Latest Practicable Date, Dr. Guo had published 15 high-quality academic papers in international authoritative academic journals and held multiple invention patents.
- Dr. Li Pan, our vice president, has over 23 years of experience in the R&D of novel drugs. Particularly, Dr. Li has extensive experience in novel drug development. Prior to joining us, Dr. Li served as the vice general manager at a subsidiary of CSPC Pharmaceutical Group Limited, executive officer of the medicinal chemistry department at Adlai Nortye Biopharma Co., Ltd. (杭州阿諾生物醫藥科技有限公司) and a research fellow at Vertex Pharmaceuticals, Inc., a company primarily engaged in the research, development and commercialization of cystic fibrosis treatments, listed on NASDAQ (Stock Code: VRTX).

We have also received strong support from top-tier investors, including professional investors such as Efung Capital and Yingke PE that focus on investing in innovative pharmaceutical companies with great potential, and Shanghai Desano, a global supplier of anti-HIV active pharmaceutical ingredients.

### OUR STRATEGIES

Our mission is to improve human health through genuine innovation. To accomplish this mission, we plan to pursue the following strategies.

#### **Quickly and efficiently advance the R&D, commercialization and post-approval regulatory processes of our Core Product, azvudine**

Leveraging our strong clinical execution capabilities, we plan to quickly advance the development, commercialization and post-approval regulatory processes of azvudine for antiviral and anti-tumor therapies:

- HIV: we received a conditional approval from the NMPA of azvudine for treating HIV infection in July 2021 and have since begun the commercialization process. We also initiated the post-approval Phase III clinical trial in June 2022 and expect to complete such trial in the second half of 2025.
- Monotherapy for anti-tumor treatment: we had obtained an IND approval from the NMPA for the clinical trials of azvudine in patients with advanced solid tumors, and Phase I clinical trial was initiated in January 2025 with three patients enrolled as of the Latest Practicable Date, the results of which are expected to be used to support the future combination studies on drug administration and full development of solid

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tumor indications. Such data are also used to support the development for the treatment of blood cancer as the safety, tolerability and PK data are inherently applicable for later-phase clinical trials of other cancers.

- Combination therapy for anti-tumor treatment: we submitted an IND application of azvudine/dosimertinib combination therapy for the treatment of NSCLC in November 2024. We plan to submit IND applications to the NMPA for (i) azvudine/anti-PD-1 combination therapy for the treatment of liver cancer and colorectal cancer in 2025; and (ii) azvudine/CTX combination therapy for the treatment of lymphoma in 2025.
- COVID-19: we have completed the relevant R&D work as required by the conditional approval. We are in communication with the CDE regarding full approval of azvudine for the treatment of COVID-19, and expect to obtain the full approval in 2025.

### **Rapidly advance our preclinical- and clinical-stage drug candidates through internal research**

We plan to continue advancing the clinical development of our preclinical- or clinical-stage drug candidates through internal research. We will continue to improve our research conversion capabilities leveraging our track record in clinical development and experienced R&D team, so as to further diversify our innovative drug pipeline and provide drugs with improved safety and efficacy for patients in China and beyond.

Specifically, in addition to research and development of our Core Product, azvudine, we (i) are analyzing clinical data collected from a Phase I clinical trial of CL-197 for HIV treatment in China and expect to complete the clinical study report in 2025; (ii) are conducting a Phase I/Phase II clinical trial of dosimertinib for the treatment of NSCLC in China and expect to complete such trial in 2025; and (iii) expect to complete the respective preclinical studies of MTB-1806, ZSSW-136 and the PCC compound discovered under ZS-1004 project and submit IND applications in 2025.

### **Continue the expansion of our R&D platforms and expand our product pipeline**

We plan to continue to expand the establishment of our R&D platforms, such as our highly-selective new nucleoside-like broad-spectrum antitumor research and development platform, and our TOPO1 inhibitor and XDC drug research and development platform. We will further expand our product pipeline based on our existing platforms and technologies to meet unmet medical needs, and quickly advance the R&D of antiviral drugs and anti-tumor drugs, in particular to potentially address the drug resistance issue to existing therapeutic options. In addition, we will continue to explore the indication expansion and combination therapies of azvudine with other drugs for the treatment of cancer and HIV infection, as well as further advancing the ongoing drug discovery under projects ZS-1001, ZS-1002, ZS-1003 and ZS-1004 for the treatment of cancer.



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### **Enhance our commercialization capability to support future commercial activities**

For the approved indications of azvudine (HIV and COVID-19), we plan to further enhance the professional and promotional capabilities of our in-house sales and marketing team, strengthen hospital channel coverage, recruit, train and manage our CSOs to enhance marketing effectiveness. We also seek to improve and optimize the on-line e-commerce channel and off-line distribution channels to improve product accessibility. Furthermore, we will continue to improve the evidence-based medical evidence of our products to promote their widespread use and long-term development in the market. We will also prepare for the future expansion of azvudine’s indications and the commercialization of other drug candidates to ensure that new products can be quickly and efficiently brought to market.

### **Strengthen talent team building through internal cultivation and recruitment**

We believe that a team of outstanding and professional talent is core for a biotech company to remain competitive. We will continue to strengthen our talent team building through internal cultivation and recruitment.

With respect to internal cultivation, we will continuously improve professionalism of our employees through systematic training, so that they can achieve their full potential in their respective roles and provide a solid foundation for our effective operations. With respect to recruitment, we will continue to expand our R&D team to meet our growing R&D needs. We also plan to further supplement our legal and financial team to ensure the sustainable growth of our business. In addition, we plan to provide competitive compensation packages to attract new and retain outstanding employees.



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### OUR PRODUCT PORTFOLIO

We have built a comprehensive drug portfolio, consisting of (i) azvudine, our Core Product, a conditionally approved drug for the treatment of HIV infection and COVID-19 in China, which is also being developed for expanded indication of blood cancers; (ii) azvudine, our Core Product, as part of combination therapies for expanded indication including solid tumor, blood cancer and HIV; (iii) other drug candidates, including dosimertinib for the treatment of NSCLC, CL-197 for the long-acting treatment of HIV infection, drug candidates under projects ZS-1001, ZS-1002, ZS-1003 and ZS-1004 for the treatment of malignant tumor; and (iv) one drug candidate for acute ischemic stroke (AIS). The following table summarizes our product portfolio and the status of each drug or drug candidate as of the Latest Practicable Date:

Field	Disease	Drug/ Drug Candidate	Target	Indication	Preclinical	Phase I	Phase II	Phase III	Commercialization Rights
Antiviral	HIV infection	Azvudine*	RT-eVif	HIV infection	NMPA conditional approval <sup>(1)</sup>				Global <sup>(3)</sup>
		CL-197	RT-p	HIV infection					Global
		All-oral long-acting composite tablet (Azvudine/CL-197)	RT-eVif/RT-p	HIV infection					Global
	COVID-19	Azvudine*	RdRp	COVID-19	NMPA conditional approval <sup>(2)</sup>				Global <sup>(3)</sup>
Antitumor	Solid tumor	Dosimertinib	EGFR	NSCLC					Global
		Azvudine/dosimertinib	DNA-MDSC/EGFR	NSCLC					Global
		Azvudine/PD-1*	DNA-MDSC/PD-1	Liver cancer <sup>(4)</sup>					Global
				Colorectal cancer <sup>(4)</sup>					Global
		ZS-1001 <sup>(5)</sup>	STING	Malignant tumor					Global
		ZS-1002 <sup>(5)</sup>	ENPP1	Malignant tumor					Global
		ZS-1003 <sup>(5)</sup>	TOPO1	Malignant tumor, Irinotecan-resistant tumor	ZSSW-136 <sup>(5)</sup>				
	ZS-1004 <sup>(5)</sup>	PSMA	Prostate Cancer, etc.	PCC Stage					Global
	Blood cancer	Azvudine*	DNA	Multiple myeloma <sup>(4)</sup>					Global
				Lymphoma <sup>(4)</sup>					Global
				Acute leukemia <sup>(4)</sup>					Global
Azvudine/CTX*		DNA/chemotherapy	Lymphoma <sup>(4)</sup>					Global	
CNS	AIS	MTB-1806	15-LOX-2	AIS					Global

\* Core Product

15-LOX-2: 15 lipoxygenase subtype 2  
 AIS: acute ischemic stroke  
 CNS: central nervous system  
 CTX: cyclophosphamide  
 EGFR: epidermal growth factor receptor

ENPP1: ectonucleotide pyrophosphatase/phosphodiesterase 1  
 MDSC: myeloid-derived suppressor cells  
 NSCLC: non-small cell lung cancer

PD-1: programmed cell death protein 1  
 PSMA: prostate-specific membrane antigen  
 RdRp: RNA-dependent RNA polymerase  
 RT: reverse transcriptase  
 STING: stimulator of interferon genes  
 TOPO1: Topoisomerase I  
 Vif: a type of accessory protein in HIV

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*Notes:*

- (1) We obtained a conditional approval of azvudine for the treatment of HIV infection from the NMPA in July 2021. Pursuant to the approval, we could commence commercial sales of azvudine for the HIV indication in China and shall conduct a Phase III clinical trial, submit safety reports periodically and submit a Phase III clinical trial report within five years from the date of approval. See “Business—Our Product Portfolio—Our Antiviral Drug and Drug Candidates—HIV Drug Pipeline—Azvudine.”
- (2) We obtained a conditional approval from the NMPA for indication expansion of azvudine to the treatment of common COVID-19 in adults in July 2022. Pursuant to the approval, we could commence commercial sales of azvudine for the COVID-19 indication in China and shall (i) conduct pharmacodynamic studies of azvudine against mutant variants of the SARS-CoV-2 virus; (ii) actively progress ongoing clinical trials of azvudine and submit trial reports upon completion; (iii) continue to collect efficacy and safety clinical data post-approval; and (iv) submit the required materials within three years of approval.
- (3) In April 2020, Henan Genuine entered into a framework agreement, as further supplemented thereafter, with Beijing Union to authorize Beijing Union to fully carry out registrations, clinical applications and market collaboration matters of azvudine in Russia and Ukraine. Beijing Union will be the MAH and act as the manufacturer of azvudine in Russia and Ukraine after it obtains marketing approval in these countries. As of the Latest Practicable Date, Beijing Union had completed phase III clinical trial for azvudine as a COVID-19 treatment and was approved for marketing by the Russian MoH in February 2023, but we had not generated any income under this collaboration arrangement. In June 2020, Henan Genuine entered into a tripartite framework agreement with Beijing Union and an Independent Third Party agent to authorize Beijing Union to cooperate with the agent to carry out registration applications, clinical trials and market collaboration matters of azvudine for treating COVID-19 in Brazil and the Union of South American Nations (UNASUR). In November 2021, Henan Genuine entered into a supplemental tripartite collaboration agreement, as further supplemented thereafter, with Beijing Union and an affiliate of the agent, who is also an Independent Third Party. Pursuant to these agreements, after azvudine for the COVID-19 indication is approved for marketing in Brazil, Beijing Union shall act as the manufacturer for such product in Brazil and the affiliate shall be the MAH of azvudine in Brazil and have exclusive marketing rights in Brazil and the other regions of South America.  
  
See “Business—Our Technology Transfer Arrangements and Collaborations” for details.
- (4) We had obtained an IND approval from the NMPA for the clinical trials of azvudine in patients with advanced solid tumors, and initiated a Phase I clinical trial in January 2025 with three patients enrolled as of the Latest Practicable Date, the results of which are expected to be used to support the design of future combination studies and full development of solid tumor indications. Such data will also be used to support the development for the treatment of blood cancer as the safety, tolerability and PK data are inherently applicable for later-phase clinical trials of other cancers.
- (5) ZS-1001, ZS-1002, ZS-1003 and ZS-1004 are our drug discovery projects under which one or more compounds may be found. As of the Latest Practicable Date, we had discovered a PCC compound, ZSSW-136, under project ZS-1003 and another ADC PCC compound under ZS-1004.

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### Our Antiviral Drug and Drug Candidates

#### *HIV Drug Pipeline*

##### *HIV and Its Market Opportunity*

HIV infection is a major global public health issue. HIV primarily attacks CD4+ T cells, which are a type of white blood cell that play a major role in protecting the body from infection. Loss of CD4+ T cells could lead to immunodeficiency and chronic inflammation, resulting in AIDS, a complex immunological syndrome. As HIV infection advances to AIDS, HIV viral load increases and the number of CD4+ T cells decreases (less than 200 cells/ $\mu$ L at the AIDS stage). Declining CD4+ T cell levels indicate increasing damage to the immune system. If untreated or sub-optimally treated HIV infection will result in deterioration of immune functions, opportunistic infections and ultimately death. Although current treatment options such as antiretroviral therapy (ART) can prevent and partially restore damage to the immune system, HIV persists, residing in the integrated DNA in host CD4+ T cells.

The number of HIV-infected patients worldwide was 42.9 million in 2023, and is estimated to reach 48.7 million by 2030, according to Frost & Sullivan. HIV-infected patients in China reached 1.6 million in 2023, and is expected to increase to 2.0 million by 2030. There is still no cure for HIV infection. However, through lifelong treatment, HIV infection has become a manageable chronic disease. Effective ART could suppress HIV viral load and slow down disease progression by interrupting HIV replication process. In 2023, 30.7 million people had access to treatment such as ART, accounting for 76.9% of those living with HIV.

Successful long-term treatment of HIV infection, however, is highly dependent on maintaining strict compliance to daily regimens. Any non-compliance increases the risks of virologic failure, emergence of drug-resistant virus and disease progression. Adhering to daily regimens can be challenging for patients as administration can be inconvenient.

To better serve the clinical needs of the broad HIV patient population and provide novel treatment options of high efficacy and low risk of drug resistance, we have one approved Class 1.1 new drug, azvudine, which is our Core Product. In addition, we are developing CL-197, which is another NRTI with potential long-acting feature. We also plan to conduct additional research to develop an all-oral long-acting composite tablet with combined mechanisms of action and potentially only requiring weekly administration by combining azvudine and CL-197. We believe this all-oral composite tablet will have the potential to establish a more convenient, lower-dosage and long-acting regimen for patients taking HIV medication with better compliance.

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### *Azvodine*

Azvodine, our Core Product, has been listed as a National Major Science and Technology Project in China (major new drug development), and was included in the 2021 and 2024 editions of China HIV Diagnosis and Treatment Guidelines after its NMPA approval. It is a novel dual-target nucleoside-based antiviral drug that inhibits both reverse transcriptase, and accessory protein Vif. We obtained a conditional approval from the NMPA for azvodine as an oral medication for HIV-1 infected patients, which constitute over 90% of all HIV-infected patients globally, over age 18 and with high viral load (over 100,000 copies/ml of HIV-1 RNA). As an NRTI, azvodine could function as the backbone medication and work in combination with antiretroviral drugs of different mechanisms to form various two-drug or three-drug ART regimens.

Azvodine was originally discovered and developed by Zhengzhou University for HIV infection treatment. We acquired intellectual property rights in azvodine in June 2013 pursuant to a technology transfer agreement dated December 16, 2011 and a supplemental agreement dated May 14, 2013. See “—Our Technology Transfer Arrangements and Collaborations—Zhengzhou University Technology Transfer Agreement.” We received approval from the NMPA in 2013 to conduct a Phase I clinical trial for azvodine for treating HIV infection and commenced such Phase I clinical trial in July 2014. We completed the Phase I clinical trial in June 2015 and received approval from the NMPA in the same year to conduct a Phase II clinical trial for azvodine for treating HIV infection. We commenced Phase II clinical trial in October 2017 and completed such trial in January 2019. We subsequently obtained a conditional approval of azvodine from the NMPA for treating HIV infection in July 2021. Pursuant to such conditional approval, we shall conduct a post-approval Phase III clinical trial, submit safety reports periodically and submit a post-approval Phase III clinical trial report within five years from the date of approval. We initiated the post-approval Phase III clinical trial in June 2022 and completed patient enrollment in August 2023. We expect to complete this trial in the second half of 2025.

### Mechanism of Action

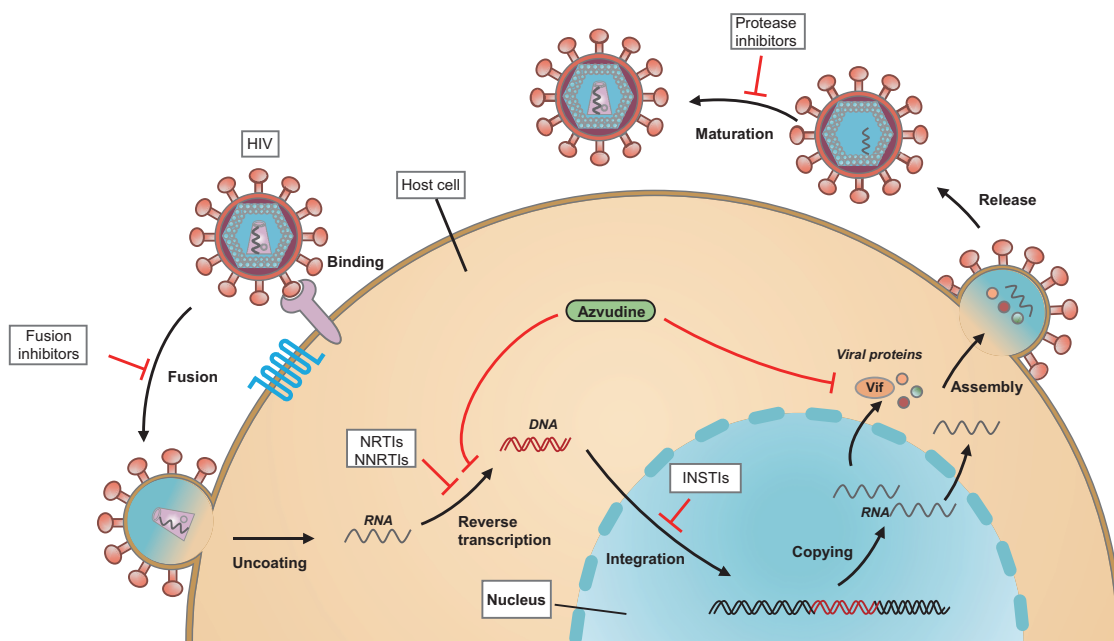
The life cycle of HIV includes multiple steps, including binding to a host CD4+ T cell, fusion with the host cell membrane, uncoating, reverse transcription (RTn), integration into DNA of the host cell, copying, assembling viral components made inside the host cell and releasing new virus. The essential step of RTn requires reverse transcriptase (RT) to convert the viral genetic material, HIV RNA, into HIV DNA in preparation for integration into the host cell DNA.

Azvodine, as an NRTI, functioning at the active site of RT, inhibits RT activities and acts as a DNA chain-terminator to interrupt HIV replication. In addition to inhibition of HIV RT, azvodine also acts as a Vif inhibitor. The Vif protein in HIV interacts with APOBEC3G (A3G), a human enzyme that exerts innate antiviral activity against HIV by interfering with its proper replication, and triggers the degradation of A3G via the ubiquitin-proteasomal pathway, one of the major destruction ways to control the activities of different proteins. Azvodine, by targeting

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the Vif-containing E3 ubiquitin ligase complex, which regulates one of the essential steps in the process of proteasomal degradation, blocks the Vif-induced degradation of A3G and restores A3G expression and antiviral activity in CD4+ T cells.

With its dual targets, azvudine offers two mechanisms of action in one drug. The following diagram illustrates the mechanisms of action of azvudine for the treatment of HIV infection:



Source: Company information

### Current Therapies and Limitations

Due to HIV's high mutation rate, HIV-infected patients using a single-drug ART treatment have a considerable possibility of developing drug resistance and experiencing virologic failure. Therefore, current guidelines from the WHO and the U.S. Department of Health and Human Services (DHHS) recommend cARTs that contain a combination of two or three drugs from different classes of antiretroviral drugs for the treatment of HIV-infected patients. The recommended two-drug cART includes an NRTI and an integrase strand transfer inhibitor (INSTI). The recommended three-drug cART includes two NRTIs and a third antiretroviral drug from one of three drug classes: an INSTI, a non-nucleoside reverse transcriptase inhibitor (NNRTI) or a protease inhibitor (PI) with a pharmacokinetic enhancer. Such multi-drug therapies can dramatically reduce HIV infection-associated morbidity, restore immune functions, suppress HIV viral load and prevent HIV transmission.

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Despite the marked improvement in therapeutic options, limitations to therapy still exist, including reliance on daily compliance, cumulative toxicity of lifelong medication, drug resistance and limited options for some patients with multiclass resistance. Therefore, it is necessary to identify new agents with higher efficacy to expand the treatment options for HIV-infected patients.

### Market Opportunity and Competition

The majority of HIV drugs in China’s market are single-agent antiretroviral drugs instead of composite drugs containing multiple ART agents, which are more accessible in developed markets. Single-agent antiretroviral drugs from a different class, such as NNRTIs or INSTIs, are not considered substitutes or competitors of azvudine, because as an NRTI, azvudine could work in combination with drugs of different mechanisms to form various cART regimens. The following table sets forth a summary of azvudine and other marketed NRTI drugs for treatment of HIV infection in China as of the Latest Practicable Date that could potentially compete with or be used in combination with azvudine:

Original Brand Name	Generic Name	Original Producing Company	Year Approved	Patent Status	2023 NRDL	Free drug list	Dosing and Administration
Shuangxinaike (雙新艾克)	Azvudine (FNC)	Genuine Biotech	2021	Valid	List B	—	3 mg/day, oral
Vemlidy	Tenofovir alafenamide (TAF)	Gilead	2018	Expired	List B	—	25 mg/day, oral
Viread	Tenofovir Disoproxil Fumarate (TDF)	Gilead	2008	Expired	List B	Free	8 mg/kg daily (up to a maximum of 300 mg), oral
Ziagen	Abacavir (ABC)	GSK	2002	Expired	—	Free	600 mg/day, oral
Videx	Didanosine	BMS	1999	Expired	—	—	less than 60 kg: 250 mg/day at least 60 kg: 400 mg/day, oral
Retrovir	Zidovudine (AZT)	GSK	1999	Expired	List B	Free	600 mg/day, oral 1 mg per kg infused at a constant rate over 1 hour every 4 hours, IV
Epivir	Lamivudine (3TC)	GSK	1999	Expired	List B	Free	300 mg/day, oral
Zerit	Stavudine (D4T)	BMS	1999	Expired	—	—	less than 60 kg: 30 mg every 12 hours at least 60 kg: 40 mg every 12 hours, oral
Emtriva	Emtricitabine (FTC)	Gilead	—*	Expired	List B	Free	200 mg capsule daily or 240 mg solution daily, oral

Source: Frost & Sullivan analysis

\* The original drug of FTC was not approved in China but its generic versions are available in China.

We believe azvudine has the potential to become a primary HIV NRTI with the following advantages:

- ***Good Efficacy.*** In our Phase II clinical trial of azvudine for the treatment of HIV infection, daily administration of azvudine, in combination with two other antiretroviral drugs as a cART regimen, showed good anti-HIV-1 efficacy and was able to significantly inhibit HIV-1 replication. In the trial, the clinical efficacy of daily administration of 3 mg azvudine was comparable to that of daily administration of 300 mg lamivudine. Lamivudine is a nucleoside analogue commonly used in first-line combination therapy for treating HIV infection.

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- *Lower risk of drug resistance.* As nucleoside analogues are an important class of antiviral agents commonly used in the treatment of HIV infection, a large population of patients have developed drug resistance to such drugs after prolonged exposure. According to a report published by the WHO in 2021, after receiving first-line ART treatment, over 83.1% of HIV-infected patients with viral load exceeding 1,000 copies/ml developed resistance to the NRTIs in their regimens. However, in an *in vitro* study, azvudine showed potent inhibition on multiple NRTI-resistant HIV strains and activity against M184V mutation. In addition, due to its dual-target mechanism of action, we believe azvudine is less likely to result in drug-resistance compared to single-target NRTIs.
- *Potential to be an oral long-acting combination treatment.* Our recent animal studies showed that the active form of azvudine could be detected in peripheral blood mononuclear cells (PBMC) 168 hours after oral gavage administration. As such, azvudine has the potential to be part of an oral long-acting combination treatment that could potentially greatly extend the time interval between administrations and hence improve patient compliance.

### Summary of Clinical Trials

As of the Latest Practicable Date, we had completed Phase I and Phase II clinical trials for azvudine as a treatment for HIV infection in China. As of the same date, we had also commenced a Phase III clinical trial for azvudine for the indication since June 2022 as required by the conditional NMPA approval and completed subject enrollment in August 2023. Please see “—Summary of Our Post-approval Clinical Trial Design” below for further details.

### Phase II Clinical Trial

The Phase II clinical trial was a multi-center, randomized, double-blind double-dummy, positive control and dose-exploration clinical study in China to assess the safety and efficacy of azvudine in treating HIV infection.

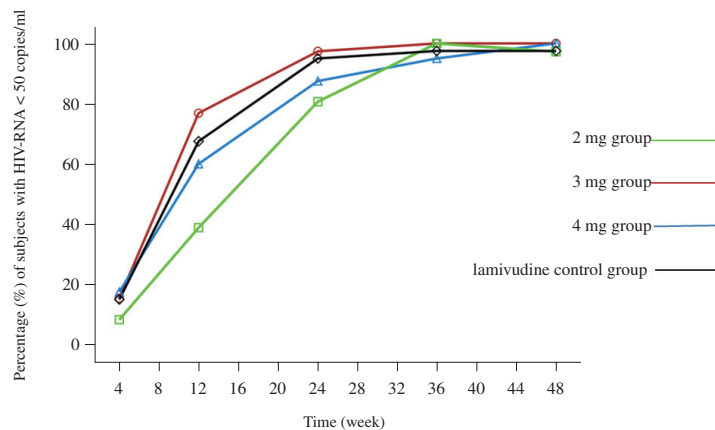
- *Study design.* The Phase II clinical trial planned to enroll 172 patients. According to the plan, all patients would be randomly assigned to a 2 mg/day dose group, a 3 mg/day dose group, a 4 mg/day dose group and a control group (receiving lamivudine) at a ratio of 1:1:1:1. The objective was to evaluate the safety and efficacy of azvudine in combination with tenofovir disoproxil fumarate (TDF), an NRTI, and efavirenz (EFV), an NNRTI, in treating treatment-naïve HIV-infected patients.



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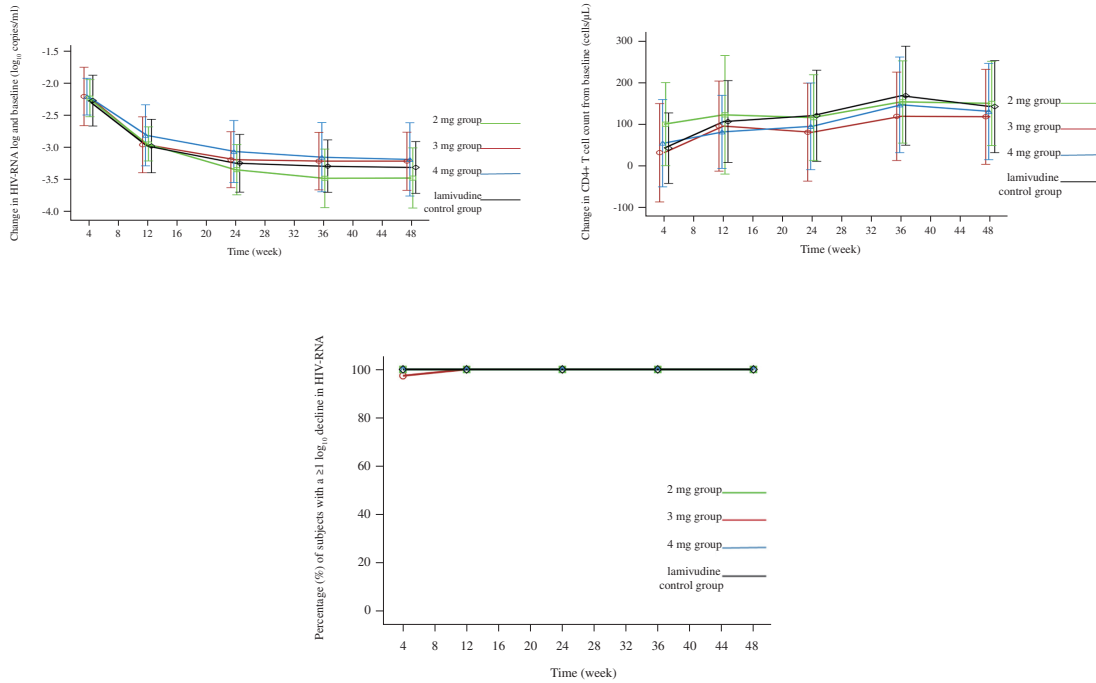
The Phase II clinical trial would include a screening period (up to 30 days) and a treatment period (48 weeks). Patients in the azvudine groups would receive daily oral administration of azvudine at the dosage level corresponding to their dose groups along with 300 mg TDF and 600 mg EFV in a fasted state for 48 weeks. Patients in the lamivudine control group would receive daily oral administration of 300 mg lamivudine along with 300 mg TDF and 600 mg EFV in a fasted state. The primary endpoint is the proportion of patients who have less than 50 copies/ml of HIV-1 RNA after the 48-week treatment. Secondary endpoints include change in log value of HIV-1 RNA viral load after the treatment, the number of patients whose HIV-1 RNA decreased by not less than 1 log<sub>10</sub> from baseline value and change in CD4+ T cell counts after the treatment.

- *Trial status.* The Phase II clinical trial was initiated in October 2017 and completed in January 2019. A total of 172 patients were enrolled, including 43 patients in each group. 155 patients completed the trial and were included in the per protocol set (PPS) analysis, including 36 patients in the 2 mg/day dose group, 39 patients in the 3 mg/day dose group, 40 patients in the 4 mg/day dose group and 40 patients in the lamivudine control group.
- *Efficacy.* Daily oral administration of azvudine (at the dosage level of 2 mg/3 mg/4 mg), in combination with TDF and EFV, showed good anti-HIV-1 efficacy and was able to significantly inhibit HIV-1 replication. In the PPS analysis, the proportion of patients with less than 50 copies/ml of HIV-1 RNA after the 48-week treatment was 97.2% (35 out of 36 patients), 100.0% (39 out of 39 patients), 100.0% (40 out of 40 patients) and 97.5% (39 out of 40 patients) in the 2 mg/day, 3 mg/day and 4 mg/day dose groups and the lamivudine control group, respectively. There was no statistically significant difference among the azvudine groups and the lamivudine control group.



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On secondary endpoints, the HIV-1 RNA level of patients in all groups decreased quickly, with a majority of patients experiencing a 1.5 to 3  $\log_{10}$  copies/ml decrease in HIV-1 RNA after 4 to 12 weeks of treatment and remaining at this level till the end of the 48-week treatment. In the PPS analysis, the proportion of patients whose HIV-1 RNA level decreased by not less than 1  $\log_{10}$  was 100.0% for all groups. The CD4+ T cell counts for all patients increased after treatment. There were no statistically significant differences among the azvudine groups and the lamivudine control group on secondary endpoints.



Source: Company data

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- Safety.* Azvudine demonstrated a good safety profile for long-term administration in the Phase II clinical trial. There were no statistically significant differences among the azvudine groups and the lamivudine control group in terms of overall occurrence rate and severity of AEs. Most of the AEs occurred in this study were mainly of grade 1 and grade 2. Only one subject in the lamivudine control group experienced an SAE that was unrelated to azvudine. Only one subject in the 3 mg group and one subject in the lamivudine control group experienced AEs of grade 4 that were unrelated to azvudine. The table below sets out a summary of AEs in the trial, with a total of 170 patients (the number of patients who received at least one administration of tested drug) included in the analysis:

	<u>2 mg</u> <u>group</u>	<u>3 mg</u> <u>group</u>	<u>4 mg</u> <u>group</u>	<u>Control</u> <u>group</u>	<u>Total</u>
	<b>N=42</b>	<b>N=42</b>	<b>N=43</b>	<b>N=43</b>	<b>N=170</b>
	<i>n (%)</i>	<i>n (%)</i>	<i>n (%)</i>	<i>n (%)</i>	<i>n (%)</i>
AE	40(95.2)	41(97.6)	42(97.7)	41(95.3)	164(96.5)
Grade 1	18(42.9)	21(50.0)	19(44.2)	19(44.2)	77(45.3)
Grade 2	19(45.2)	14(33.3)	22(51.2)	18(41.9)	73(42.9)
Grade 3	3(7.1)	5(11.9)	1(2.3)	3(7.0)	12(7.1)
Grade 4	0(0)	1(2.4)	0(0)	1(2.3)	2(1.2)
SAE	0(0)	0(0)	0(0)	1(2.3)	1(0.6)

Source: Company data

- Conclusion.* Daily oral administration of azvudine (at the dosage level of 2 mg, 3 mg and 4 mg) in combination with TDF and EFV for 48 weeks in HIV-infected patients who had not received ART significantly inhibited HIV-1 replication and showed a good safety profile. Patients showed significant decreases in HIV-1 RNA levels. There were no statistically significant differences among the azvudine groups and the lamivudine control group in terms of efficacy and safety.

### Phase I Clinical Trial

Our Phase I clinical trial primarily consisted of two major studies, a single-dose study and a multiple-dose study, on the safety, tolerance and pharmacokinetics of azvudine to better assess its impact on HIV-infected patients.

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### Single-dose Study

The Phase I single-dose clinical trial was a single-center, open-label and non-controlled single ascending-dose clinical study to evaluate the safety, tolerance and pharmacokinetics of azvudine on HIV-infected patients.

- *Study design.* The trial planned to enroll five groups of eight patients with the first group receiving a starting dose of 1 mg/day and the subsequent four groups receiving an increased dose level of 2 mg/day, 3 mg/day, 4 mg/day and 5 mg/day, respectively. The clinical trial would include a screening period (15 days), a treatment period (one day) and a safety follow-up period (seven days). If half or more than half of the patients in a given dose group have AEs of grade 2 or higher, three additional patients will be added to this dose group. If less than half of the patients have AEs of grade 2 or higher, the trial will move to the next dose level. Each subject will receive only one corresponding dose of azvudine, and the trial can proceed from one dose level to the next only if the previous dose level group completes the trial, including the safety follow-up period, and the safety and tolerance of the previous dose level is confirmed.
- *Trial status.* The clinical trial was initiated in June 2014 and completed in June 2015. A total of 40 subjects completed the trial, with eight each in the 1 mg/day dose group, 2 mg/day dose group, 3 mg/day dose group, 4 mg/day dose group and 5 mg/day dose group, respectively.
- *Safety.* In the clinical trial, the dose escalation reached 5 mg. Nine patients experienced 11 AEs associated with azvudine (one in the 1 mg group, two in the 2 mg group and six in the 4 mg group). All AEs were of grade 1, comprising, in descending order of frequency, dizziness (4 out of 11, 36.36%), nausea (3 out of 11, 27.27%), fever (2 out of 11, 18.18%), diarrhea (2 out of 11, 18.18%) and vomiting (1 out of 11, 9.09%). There were no AEs in the 3 mg and 5 mg groups. None of the patients experienced SAE.
- *Pharmacokinetics.* The plasma drug concentration of azvudine was relatively low in HIV-infected patients after a single administration of azvudine. The AUC (area under the curve, which represents the total drug exposure across time) of the 3 mg, 4 mg and 5 mg groups gradually increased as the dose level increased. The 4 mg dose group had the highest mean  $C_{max}$  (which represents the maximum drug concentration in plasma) value, with no statistically significant difference from the 3 mg group or the 5 mg group. Azvudine was absorbed relatively quickly and eliminated relatively slowly in the body. The mean excretion rates of patients in different groups were comparable, with no statistically significant differences among the groups. Excretion within 12 hours after administration accounted for more than 70% of the total excretion within 24 hours after administration. The total urinary excretion of azvudine increased with increasing dose levels.

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- *Conclusion.* A single administration of azvudine at the dosage level of 1 mg to 5 mg is safely tolerated in HIV-infected patients. All AEs occurred were mild, mainly manifesting as fever, dizziness, nausea and diarrhea, all of which had been reported with similar anti-HIV drugs currently on the market and patients can recover with or without symptomatic treatment. A multiple-dose study of the tolerability, safety and pharmacokinetics of azvudine could be conducted.

### Multiple-dose Study

The Phase I multi-dose clinical trial was a single-center, open-label and non-controlled multiple-dose clinical study to evaluate the safety, tolerance and pharmacokinetics of azvudine on HIV-infected patients.

- *Study design.* The study was designed with two groups of eight patients. The first group (the BID group) would receive 2 mg azvudine BID (*i.e.*, twice daily) with a 12-hour interval between doses for seven days and the second group (the QD group) would receive 4 mg azvudine QD (*i.e.*, once daily) in a fasted state for seven days. If four or more patients in the first group experienced AE of grade 2 or above, three additional patients would need to be enrolled in the group. If one or more of such three additional patients experienced AE of grade 2 or above, the trial would be terminated. The trial would proceed to the QD group only if the BID group completed the test. If four or more patients in the second group experienced AE of grade 2 or above, then a test of the 3 mg/day dose level, administered in a single dose, would need to be conducted.
- *Trial status.* The clinical trial was initiated in January 2015 and completed in June 2015. A total of 16 subjects completed the trial, with eight each in the BID group and QD group.
- *Safety.* Three patients in the BID group had five AEs and two patients in the QD group had two AEs. Only one AE in the QD group was deemed to be likely related to the drug, mainly manifesting as decreased absolute neutrophil counts (ANC). No SAEs occurred during the trial. The AEs occurred were, in descending order of occurrence rate, elevated total bilirubin (2/7, 28.57%), decreased ANC (1/7, 14.29%), elevated aspartate aminotransferase (AST) (1/7, 14.29%), elevated blood glucose (1/7, 14.29%), cold (1/7, 14.29%) and alveolar abscess (1/7, 14.29%).
- *Efficacy.* There were significant decreases ( $p < 0.05$ ) in HIV viral load in patients of both the BID group and the QD group after drug administration, but the difference between the two groups was not statistically significant ( $p > 0.05$ ). Patients in both the BID group and the QD group experienced increases in CD4+ T cell counts, but the increases were not statistically significant. There was no statistically significant difference between the two groups in terms of changes in CD4+ T cell counts.

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- *Pharmacokinetics.* After seven consecutive days of administration of azvudine, there were no statistically significant differences between the  $C_{\max}$ ,  $T_{\max}$  (which represents the time it takes for a drug to reach  $C_{\max}$ ), MRT (mean residence time, which represents the average time a molecule stays in the body) and  $T_{1/2}$  (half life) for the first drug administration and those for the last drug administration in the BID group. There were no statistically significant differences between the  $T_{\max}$ ,  $C_{\max}$ , MRT,  $T_{1/2}$  and AUC for the first drug administration and those for the last drug administration in the QD group. The  $T_{\max}$ ,  $C_{\max}$  and AUC for the last drug administration were higher in the QD group than in the BID group, but there was no statistically significant difference.
- *Conclusion.* The results of the trial showed a good tolerability and safety profile for azvudine with multiple drug administrations. Azvudine showed good anti-HIV-1 activity in the trial. A dose-exploration study with a large sample size to further evaluate the efficacy and safety of azvudine in combination with other drugs could be conducted.

### Other Clinical Studies

After the Phase I clinical trial, we conducted additional clinical trials to assess the pharmacokinetics of azvudine in postprandial (after meal) administration, the safety of azvudine for treatment-naïve patients and azvudine's drug interaction with other drugs.

#### Postprandial Administration Study

We conducted a randomized and cross-administered clinical study with two cycles. The purpose of the study was to evaluate the pharmacokinetics of azvudine after postprandial administration. The study was initiated in December 2015 and completed in May 2018. Single administrations of azvudine under fasting condition and under postprandial condition were safely tolerated in healthy subjects. The occurrence rates of AEs for fasting and postprandial administrations of azvudine were similar.

#### Multiple-Dose Study in Treatment-Naïve Patients

We conducted a single-center, non-controlled and open-label clinical study to evaluate the safety of azvudine for treatment-naïve patients. The study was initiated in July 2017 and completed in August 2018. Administration of azvudine for seven consecutive days (at the dosage level of 2 mg/day and 3 mg/day) in HIV-infected patients who had not received anti-HIV treatment showed a good safety and tolerability record. There were no SAEs, or AEs that led to withdrawal from the trial. The results also showed that azvudine had good anti-HIV-1 activity and good initial efficacy. A dose-exploration study with a large sample size to further evaluate the efficacy and safety of azvudine in combination with other drugs could be conducted.

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### Drug-Drug-Interaction Study (TDF)

We conducted a single-center and open-label clinical study to evaluate the pharmacokinetics of azvudine after administration of azvudine in combination with TDF. The study was initiated in September 2015 and completed in May 2018. A total of 15 subjects completed the test. Combined administration of azvudine (at the dosage level of 4 mg/day) and TDF (at the dosage level of 300 mg/day) for seven consecutive days in healthy subjects was safely tolerated. The occurrence rates of AEs were similar for administration of azvudine or TDF alone and combined administration of the two drugs. Multiple co-administrations with TDF significantly increased the exposure of azvudine in the subjects. Multiple co-administrations with azvudine had no significant impact on the exposure of TDF in the subjects.

### Drug-Drug-Interaction Study (EFV)

We conducted a single-center and open-label clinical study to evaluate the pharmacokinetics of azvudine after administration of azvudine (at the dosage level of 4 mg/day) in combination with EFV (at the dosage level of 600 mg/day). The study was initiated in September 2015 and completed in May 2018. A total of 24 subjects completed the test. Administration of azvudine alone for seven consecutive days, followed by co-administration of azvudine and EFV for 14 consecutive days, was safely tolerated in healthy subjects. Administration of EFV alone for 14 consecutive days, followed by co-administration of azvudine and EFV for 7 consecutive days, was also safely tolerated in healthy subjects. Multiple co-administrations with EFV significantly increased the exposure of azvudine in the subjects. There was no conclusion as to whether multiple co-administration with azvudine had any impact on the pharmacokinetics of EFV.

### Summary of Our Post-approval Clinical Trial

We obtained a conditional approval for azvudine for treatment of HIV infection from the NMPA in July 2021. While we are authorized to market azvudine for the treatment of HIV infection in China, we are required to conduct a post-approval Phase III clinical trial and submit the clinical study report to the NMPA before July 2026. In this post-approval clinical trial, we aim to further demonstrate the safety and efficacy profile of azvudine when administered together with TDF and EFV for treatment of HIV-infected treatment-naïve patients and the trial will be conducted in accordance with the requirements of the NMPA and relevant regulations.

We initiated the Phase III clinical trial in June 2022. The Phase III clinical trial is a multi-center, randomized, double-blind, double-dummy and active-controlled clinical study in China. We have enrolled 720 patients in 14 clinical centers who meet the criteria, and randomly assign them to the test group (the azvudine group) and the control group (the lamivudine group) in the proportion of 1:1. The number of patients in the azvudine group and the lamivudine group is 360 and 360, respectively. The trial adopt oral administration of azvudine in a fasted state. The patients in the azvudine group receive daily administration of 3 mg azvudine in



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combination with 300 mg TDF and 400 mg EFV, as well as a lamivudine dummy tablet. The patients in the lamivudine group receive daily administration of 300 mg lamivudine in combination with 300 mg TDF and 400 mg EFV, as well as an azvudine dummy tablet. The choice of the 3 mg/day dosage level is based on the conclusion from our previous clinical trials that 3 mg/day was well tolerated with oral administration and had shown clear efficacy. The primary endpoint is the proportion of patients with less than 50 copies/ml of HIV-1 RNA at week 48 of the treatment. Secondary endpoints include the proportion of patients with less than 50 copies/ml of HIV-1 RNA at week 24 and week 96 of the treatment and the change in patients' number of CD4+ T cells against the baseline CD4+ T cell count at week 48 and week 96 of the treatment. Each treatment cycle lasts 96 weeks unless subjects experience disease progression, intolerable AE or withdraw their consents.

We completed patient enrollment in August 2023 and expect to complete the trial in 2025.

### Near-term Plans

We received a conditional approval of azvudine for treatment of HIV infection from the NMPA in July 2021 and will continue its commercialization in China. See "—Commercialization" for details. As of the Latest Practicable Date, we were conducting the post-approval Phase III clinical trial of azvudine for the HIV indication in China and had completed subject enrollment in August 2023. We expect to complete this trial in 2025.

### Material Regulatory Communications

Our communications with the NMPA relating to the advancement of the development of azvudine for treatment of HIV infection can be divided into three stages: (i) IND clinical trial application and review; (ii) conclusion of the Phase I clinical trial and application for the initiation of the Phase II clinical trial; and (iii) application for NDA approval.

- We submitted an IND clinical trial application for azvudine for treatment of HIV infection and received approval from the NMPA in April 2013 for the commencement of a Phase I clinical trial for azvudine for treatment of HIV infection in China.
- After the completion of our Phase I clinical trial, the NMPA reviewed our Phase I clinical trial results and authorized a Phase II clinical trial for azvudine for treatment of HIV infection in China in December 2015.
- Subsequent to the completion of the Phase II clinical trial in January 2019, the NMPA reviewed our materials seeking NDA approval for azvudine for the treatment of HIV infection in China and granted a conditional approval in July 2021. Pursuant to the conditional approval, we could commence sales of azvudine for treatment of HIV infection and shall conduct a Phase III clinical trial, submit safety reports periodically and submit a Phase III clinical trial report within five years from the date of approval.

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Other than the above, we have not had any material communications with the NMPA for azvudine for treatment of HIV infection. As of the Latest Practicable Date, no material adverse change had occurred with respect to the review or approval process of azvudine for the treatment of HIV infection.

Our further development of azvudine for additional indications, such as COVID-19, solid tumors and blood cancer, including eventual application for NMPA approval, will not be impacted by the fulfillment, or lack thereof, of the conditions for the approval of azvudine for the HIV indication because they will be pursued as separate regulatory processes.

### *CL-197*

In addition to azvudine, we are developing CL-197 as a new generation of orally-administered, long-acting purine nucleoside antiviral drugs. CL-197 is another new NRTI that can inhibit reverse transcription by mimicking (i.e., competing with) endogenous purine nucleotides, and has potential long-term effects in the treatment of HIV infection. Pharmacokinetic studies in an oral gavage animal model showed that the half-life of CL-197 in PBMC was about 168 hours, confirming its potential for long-term efficacy and possibly improving medication compliance. We completed the IND-enabling preclinical studies for CL-197 in December 2021 and submitted an IND application for CL-197 in China in July 2022, which was approved by the NMPA in October 2022. We commenced the Phase I clinical trial for CL-197 in China in August 2023 and expect to complete it in 2025. After the completion of the Phase I clinical trial, we plan to further conduct the Phase II clinical trial of CL-197.

### Mechanism of Action

Similar to azvudine, CL-197 is a novel NRTI with antiviral activity on HIV. For details of a NRTI’s mechanism of action, see “—Our Product Portfolio—Our Antiviral Drug and Drug Candidates—HIV Drug Pipeline—Azvudine—Mechanism of Action.”

### Market Opportunity and Competition

The HIV drug market is growing globally and in China with cART becoming the global standard of care attributable to its improved efficacy and safety profile. See “Industry Overview—Antiviral Drug Market—The HIV Drug Market” in this document for a detailed discussion of the global and China HIV drug market. With prolonged virologic suppression and improved clinical outcomes, HIV patients now have a longer survival period and are likely exposed to antiretroviral agents for decades. Therefore, the current R&D of HIV drugs focuses on improving drug safety, efficacy, resistance and treatment simplification (such as a single-tablet and/or less frequent dosing regimen) for improved compliance.

We believe that CL-197 is in line with the global trend of developing next-generation HIV drugs with such features. Particularly, CL-197 will be administered orally and has the potential of being administered only once per week. Such relatively convenient drug regimen may also improve compliance and thus improve clinical outcomes.

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### Summary of Ongoing Phase I Clinical Trial

- *Study design.* The Phase I clinical trial is a single-center, randomized, double-blinded, placebo-controlled and single ascending-dose trial in China to evaluate the safety, tolerability and PK profile of CL-197 in healthy subjects after a single dose administration. The primary endpoints are the safety and tolerability parameters of CL-197. The secondary endpoints are the PK characteristics of CL-197. We plan to enroll a total of 44 subjects, who would be assigned to five groups with different dose levels (1 mg, 10 mg, 30 mg, 60 mg and 100 mg). We plan to assign 4 subjects to the 1 mg group and 10 subjects to each of the remaining groups (8 receiving CL-197 and 2 receiving placebo in these groups). Each subject would only receive one dose of either CL-197 or placebo at the designated dose level.
- *Trial status.* The Phase I clinical trial was initiated in August 2023 and a total of 44 subjects were enrolled. As of the Latest Practicable Date, the last subject had completed trial and we were in the process of data analysis. We expect to complete the Phase I clinical trial in 2025.

### Summary of Preclinical Studies

We completed the IND-enabling preclinical studies for CL-197 in December 2021. Results from a preclinical study to evaluate the pharmacodynamics of CL-197 showed that CL-197 could effectively inhibit replication of an HIV strain. Additionally, CL-197 has demonstrated its long-acting feature in pharmacokinetic studies in beagle models under oral gavage administration, which showed that it has a half-life of approximately 168 hours in PBMC. This study suggests that CL-197 has the potential to be administered weekly with long acting effects.

### Material Communications and Near-term Plans

We, together with Henan Normal University (a public university in China) and Meitaibao, submitted an IND application for CL-197 in China in July 2022 and received the IND approval in October 2022. Pursuant to a framework agreement among the three parties entered into on April 6, 2022, the parties will be co-applicants for the NMPA registration of CL-197 but we shall remain the sole MAH of CL-197. We commenced the Phase I clinical trial for CL-197 in August 2023 and expect to complete it in 2025. After the Phase I clinical trial is completed, we plan to further initiate a Phase II clinical trial for CL-197. As part of our global expansion strategy, we also plan to apply for IND for CL-197 in jurisdictions overseas.

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### **WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET AZVUDINE/CL-197 SUCCESSFULLY**

#### *All-Oral Long-Acting Composite Tablet*

In light of the potential long-acting effect of both azvudine and CL-197, we intend to conduct additional research on the proprietary composite tablet of azvudine and CL-197 after we confirm the safety of CL-197 through its ongoing Phase I clinical trial in China. We believe that this combination would also benefit from combined mechanisms of azvudine and CL-197, including inhibition of Vif and inhibition of reverse transcription by mimicking endogenous pyrimidine and purine nucleotides. Particularly, we plan to develop an all-oral long-acting composite tablet based on this combination for the treatment of HIV infection, which we believe has the potential to be administered orally on a weekly basis with long-acting effects and strengthen patient compliance.

### **WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ALL-ORAL LONG-ACTING COMPOSITE TABLET SUCCESSFULLY**

#### *COVID-19 Drug Pipeline*

##### *Azvudine*

Leveraging its broad-spectrum antiviral activity, we have expanded the indication of azvudine, making azvudine an effective, safe and convenient oral treatment of COVID-19. As the first oral antiviral drug developed by a Chinese company that has been approved for the treatment of COVID-19, it has been officially included in the NRDL of 31 provincial branches, covering more than 50,000 medical institutions across the country. As a nucleoside analogue, azvudine, through its incorporation by RdRp, terminates RNA synthesis and thus interrupts the replication of RNA viruses, including SARS-CoV-2, the virus causing COVID-19. In addition, it not only suppresses viral replication, but also targets both the symptom and the underlying cause by enhancing immune function. Azvudine showed significant benefits in clinical applications: it not only significantly alleviated clinical symptoms of patients with COVID-19 by reducing patients’ viral load and shortening hospitalization time, but also effectively reduced risks of all-cause mortality and composite disease progression. In addition, there are few drug interactions of azvudine, so it is considered safe for patients with pre-existing conditions without having to adjust combination therapy regimen. As of the Latest Practicable Date, independent third-party research institutions had published a total of 70 research papers on azvudine, which were published in Lancet journals such as *eClinicalMedicine*, the *Cell*, *Nature* journals such as *Signal Transduction and Targeted Therapy*, and the *American Journal of Medical Virology*, among others, further proving the superior safety and efficacy of azvudine. Furthermore, the wide application of azvudine in various patient populations showed that the adverse reaction incidence rate of azvudine was only 0.029% and most patients have been able to recover fully after experiencing any adverse reactions. With a relatively low price per bottle, azvudine is an affordable treatment option with low economic burden and has significantly improved treatment accessibility and affordability. We believe that azvudine, as an oral RdRp inhibitor, can remain an effective medication to treat COVID-19 given its feature of convenient administration regimen, low estimated treatment costs and potential for maintaining efficacy toward new variants.

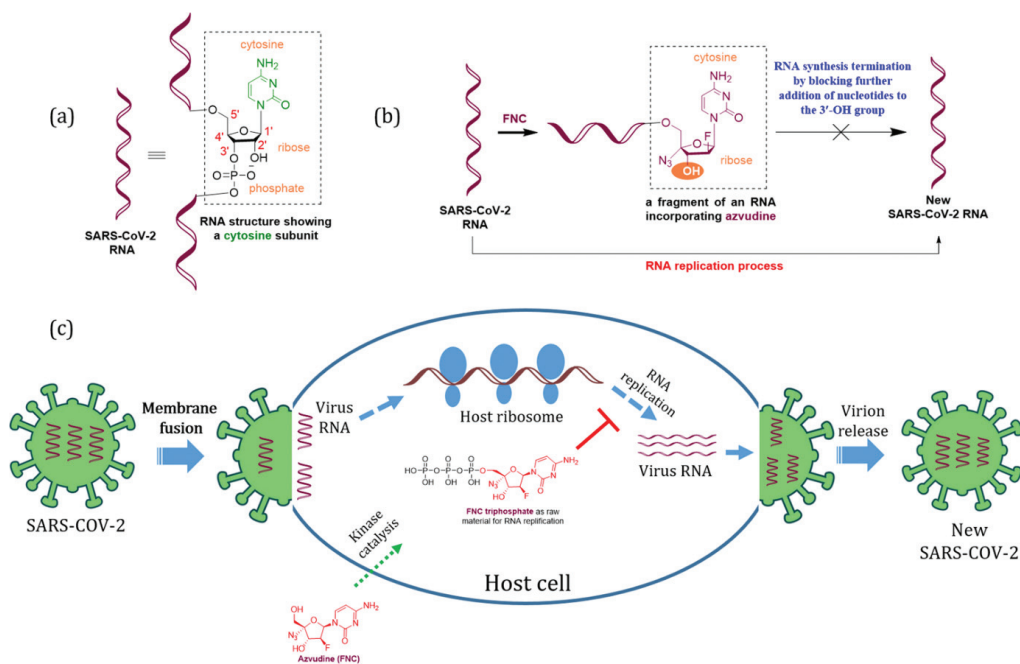
Based on (i) the safety profile of azvudine demonstrated in its Phase I and Phase II clinical trials for treating HIV infection; and (ii) the efficacy profile demonstrated in preclinical *in vitro* studies and a preliminary clinical trial of azvudine as a treatment for COVID-19, we submitted an IND application to the NMPA in April 2020 to directly initiate a Phase III clinical trial for azvudine for treating COVID-19 in China and received approval in the same month. We completed such trial in March 2022. In July 2022, we obtained a conditional approval from the NMPA for indication expansion of azvudine to the treatment of

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common COVID-19 in adults. Pursuant to the approval, we could commence commercial sales of azvudine for the COVID-19 indication and shall (i) conduct pharmacodynamic studies of azvudine against mutant variants of the SARS-CoV-2 virus; (ii) actively progress ongoing clinical trials of azvudine and submit trial reports upon completion; (iii) continue to collect efficacy and safety clinical data post-approval; and (iv) submit the required materials within three years of approval. We have also collaborated with third parties to conduct Phase III clinical trials of azvudine for treating COVID-19 in Russia and Brazil. See “—Our Technology Transfer Arrangements and Collaborations—Beijing Union Collaboration Agreements in Russia and Ukraine” for further details. In addition, as an increasing global population has been experiencing long COVID symptoms following COVID-19 illness, we plan to explore the potential of azvudine for treating long COVID in overseas markets.

### Mechanism of Action

SARS-CoV-2, a positive-sense single-stranded RNA virus, utilizes nucleosides and nucleotides for RNA synthesis. Azvudine, a nucleoside analogue, mimics natural nucleosides inside the host cells and is transformed into corresponding active nucleoside triphosphates through kinase catalysis, which are then incorporated into virus RNA during RNA synthesis by RdRp, thereby preventing incoming nucleotides from being added to the RNA chain and terminating RNA chain elongation and virus replication. In addition, as a nucleoside-based antiviral agent, azvudine also inhibits the activity of RdRp, which are crucial for viral replication. Moreover, the chemical analysis of drug distribution in SARS-CoV-2-infected monkeys revealed that azvudine and its triphosphate are largely concentrated in PBMCs and the thymus, a primary immune organ essential for the development of T lymphocytes responsible for the host immunity in general, suggesting an immune-targeting nature of azvudine on top of its antiviral effect. The inhibition of SARS-CoV-2 replication in the thymus might protect the host immune system from viral attack and promote host T cell immunity against viruses. The following diagram illustrate the mechanism of action of azvudine for the treatment of COVID-19:



Source: Company information

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### Market Opportunity and Competition

According to Frost & Sullivan, as of December 31, 2023, there had been over 99 million and 772 million COVID infections and over 0.1 million and 7 million COVID-related deaths recorded in China and worldwide, respectively. The pandemic impose grave challenges to the global healthcare and social systems, particularly with continuously evolving variants, increasing infection rates and reinfection risks in certain countries and regions. The main treatment option currently for COVID-19 is antiviral drugs, primarily including RdRp inhibitors, such as remdesivir by Gilead, and 3CL protease inhibitors, such as Paxlovid by Pfizer. According to Frost & Sullivan, antiviral therapy has shown great efficacy in treating mild-to-moderate cases and has the potential to maintain high efficacy in suppression of variants due to the different mechanisms of action.

The following table sets forth a summary of azvudine and other marketed oral antiviral COVID-19 treatments as of the Latest Practicable Date in countries across the world that would potentially compete with azvudine:

Drug Name	Company	Mechanism of Action	Status	Dosage	Price
Azvudine	Henan Genuine	RdRp inhibitor	NMPA conditional approval; clinical trial Phase III in Brazil	5 mg each time, once a day, and the treatment course should not exceed 14 days.	RMB175 per 7-day course
Paxlovid	Pfizer	3CL protease inhibitor	FDA EUA; NMPA conditional approval	300 mg nirmatrelvir with 100 mg ritonavir taken twice daily for five days	RMB1,790 per 5-day course
Molnupiravir	Merck	RdRp inhibitor	FDA EUA; NMPA conditional approval	800 mg every 12 hours for five days	RMB1,426 per 5-day course
Leritrelvir	Guangdong Huanan Pharmaceutical Group	3CL protease inhibitor	NMPA conditional approval	0.4g (2 tablets) three times a day for 5 consecutive days	RMB470 per 5-day course
Ensitrelvir	Shionogi	3CL protease inhibitor	Approved in Japan and Singapore; NDA in China	375 mg on the first day, and 125 mg on days 2 to 5	/
Baricitinib	Eli Lilly	JAK inhibitor	FDA EUA	2mg per day	RMB1,064 per 28-day course
Renmindevir	Junshi Biosciences	RdRp inhibitor	Approved in Uzbekistan; NMPA conditional approval	once every 12 hours for 5 consecutive days. Day 1: 0.6g each time (6 tablets); Days 2 to 5: 0.3g each time (3 tablets).	RMB475 per 5-day course
GST-HG171+ ritonavir	Fujian Cosunter Pharmaceutical Co., Ltd.	3CL protease inhibitor	NMPA conditional approval	150mg Atilotelvir + 100mg Ritonavir, twice a day for 5 days	RMB498 per 5-day course
SIM0417+Ritonavir	Simcere	3CL protease inhibitor	NMPA conditional approval	750mg Simnotrelvir +100mg Ritonavir, once every 12 hours, oral administration for 5 consecutive days	RMB479 per 5-day course
Sabizabulin	Veru	Microtubule disruptor	Approved in Australia	/	/
Proxalutamide	Kintor Pharmaceutical	AR Antagonist	EUA in Paraguay	/	/

Source: Frost & Sullivan



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*Notes:*

1. For Baricitinib, there is no dosage for COVID-19 in its label.
2. Price is based on the approximate price in the agreement between the manufacturer and the U.S. government.

Paxlovid has obtained EUA from the FDA and a conditional approval from the NMPA as an oral antiviral medication for treatment of mild-to-moderate COVID-19 cases in adults who are at high risk for progression to severe COVID-19, such as elderly patients or patients with certain chronic diseases. Paxlovid includes two medications, nirmatrelvir and ritonavir. Nirmatrelvir is designed to function as the main antiviral agent which blocks the replication of the coronavirus, while ritonavir helps slow the breakdown of nirmatrelvir in order for it to remain in the body for longer periods of time at higher concentrations to be active. Due to the requirement for co-administration of two drugs, especially, ritonavir, which has the potential of interfering with the metabolism of various medications, Paxlovid imposes elevated concerns of drug-drug interactions. The FDA has listed a series of established and potentially significant drug interactions that may be caused by the treatment.

We believe azvudine is a safe and effective treatment for COVID-19 based on both clinical data and real-world data from wide application in various groups of population:

- *Efficacy in virus suppression.* In our Phase III clinical trial of azvudine in COVID-19 patients in China, azvudine effectively reduced the viral load in patients with a baseline viral load of not less than  $3 \log_{10}$  on day 3, day 5 and day 7 of treatment. In addition, our Phase III clinical trial in Russia showed statistically significant differences (p-value less than 0.001) between the test group (receiving azvudine) and the control group (receiving placebo) in terms of the proportion of patients experiencing alleviation of clinical symptoms and the median time from the start of the treatment to such alleviation. In the PPS analysis, 40.1% of the patients who received azvudine treatment, as opposed to 10.9% of the patients who received placebo, experienced alleviation of clinical symptoms within seven days after the first drug administration. The median time to symptom alleviation for patients in the test group was three days shorter than that for patients in the control group.



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- Potential efficacy against new variants. According to Frost & Sullivan, studies of the currently known variants of the virus show that SARS-CoV-2 spike protein, harbors various mutations. However, azvudine could potentially maintain its efficacy against new variants of the virus because its target, SARS-CoV-2 RdRp, remains relatively conserved with a low mutation rate. After azvudine was approved for commercialization in China for the COVID-19 indication, studies based on real-world post-marketing data have shown azvudine’s high efficacy against existing variants, including Omicron.
- Safety. Azvudine has demonstrated a good safety profile and promising efficacy at a relatively low dosage level. Azvudine showed significant benefits in clinical applications: it not only significantly alleviated clinical symptoms of patients with COVID-19 by reducing patients’ viral load and hospitalization time, but also effectively reduced risks of all-cause mortality and composite disease progression. In addition, there are few drug interactions of azvudine, so it is considered safe for patients with pre-existing conditions without having to adjust combination therapy regimen. Furthermore, the wide application of azvudine in various patient populations showed that the adverse reaction incidence rate of azvudine was only 0.029% and most patients have been able to recover fully after experiencing any adverse reactions.

### Summary of Clinical Trials

#### Phase III Clinical Trial in China

The Phase III clinical trial was a multi-center, randomized, double-blind and parallel-controlled clinical study evaluating the safety and efficacy of oral administration of azvudine in patients with mild to common cases of COVID-19. We obtained approval for our Phase III clinical trial from the NMPA in April 2020 and commenced the Phase III clinical trial in June 2020. This trial was completed in March 2022.

- Study design. We planned to enroll 342 patients from 11 sites nationwide and randomly assign them to the test group and the control group in the proportion of 1:1. The number of patients in the test group and the control group would be 171 and 171, respectively. The patients in the test group would receive standard of care treatment and daily administration of azvudine at 5 mg/day, a dose level with demonstrated efficacy and safety record in previous studies, for up to 14 days, while the patients in the control group would receive the standard of care treatment in accordance with the government guideline and placebo tablet. The primary endpoints for this trial were change in viral load at day 7 and day 14 of treatment. The secondary endpoints included the rate of and time for nucleic acid negative conversion, pulmonary imaging improvement, body temperature normalization, improvement in respiratory tract signs and symptoms and improvement in other symptoms; change in blood oxygen indications; and need for respiratory support.

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- *Trial status.* The Phase III clinical trial was initiated in June 2020 and completed in March 2022. A total of 348 patients were enrolled and 298 patients constituted the full analysis set (FAS), including 150 patients in the test group and 148 patients in the control group.
- *Efficacy.* To adapt to the evolution of patients’ clinical manifestations caused by new variants of the virus, we conducted additional cluster analyses based on patient baseline viral load. Among patients with a baseline viral load of not less than  $3 \log_{10}$ , those in the test group showed greater decreases in viral load than those in the control group on day 3, day 5 and day 7 of treatment. There was statistically significant differences between the two groups in terms of changes in viral load on day 5. There was no statistical difference between the test group and the control group on secondary endpoints.
- *Safety.* 341 patients were included in the safety analysis. 62 patients in the test group experienced 119 AEs and 76 patients in the control group experienced 175 AEs. Most of the AEs were of grade 1 or grade 2. One patient in the test group had one AE of grade 3 and three patients in the control group had three AEs of grade 3. No patients had AEs of grade 4 or SAEs. There was no statistically significant difference between the test group and the control group in terms of the frequency and severity of AEs.
- *Conclusion.* The trial results demonstrated azvudine’s activity in suppressing the SARS-CoV-2 virus, especially in patients with a baseline viral load of not less than  $3 \log_{10}$ , and azvudine’s overall good safety profile at the dose level of 5 mg/day with AEs that were mostly of grade 1 or grade 2. Based on overall safety and efficacy considerations, the recommended dose for azvudine for the treatment of COVID-19 is 5 mg/day.

### Phase III Clinical Trial in Russia

The Phase III clinical trial in Russia is a multi-center, prospective, randomized, double-blind and placebo-controlled clinical study evaluating the safety and efficacy of oral administration of azvudine in patients with COVID-19. Our partner obtained approval for the Phase III clinical trial from the Ministry of Health of the Russian Federation (Russian MoH) in January 2021 and commenced the Phase III clinical trial in June 2021. This trial was completed in November 2022.

- *Study design.* The primary objective of the Phase III clinical trial is to evaluate the safety and efficacy of azvudine (in comparison with placebo) in patients with COVID-19. We expect to enroll 314 patients (in two groups of 157 patients each) in ten study centers located in Russia. The 157 patients in the test group would receive daily oral administration of 5 mg of azvudine, a dose level with demonstrated efficacy and safety record in previous studies, and the 157 patients in the control group would take placebo tablet every day. The treatment cycle would last 14 days,

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unless the patient is discharged or withdraws his or her consent, with a follow-up period of up to 31 days. The primary endpoints for this trial are the proportion of patients experiencing alleviation of clinical symptoms (a reduction of not less than 2 points in patient score according to the WHO clinical progression scale) on day 7 from the start of the treatment and the median time (number of days from the start of treatment) to achieve such alleviation. The secondary endpoints included patient score, time for viral clearance, proportion of patients experienced symptom alleviation at the end of the follow-up period, proportion of patients experienced addition in patient score of one point or more, and proportion of patients progressed to severe or extremely severe cases.

- *Trial status.* The trial was completed in November 2022. A total of 314 patients were enrolled, with 157 patients in each group. 280 patients (142 in the test group and 138 in the control group) were included in the PPS analysis.
- *Efficacy.* Data from the clinical trial showed that there were statistically significant differences (p-value less than 0.001) between the test group (receiving azvudine) and the control group (receiving placebo) on both primary endpoints. In the PPS analysis, 40.1% (57 out of 142) of the patients who received azvudine treatment, as opposed to 10.9% (15 out of 138) of the patients who received placebo, experienced alleviation of clinical symptoms on day 7 from the start of the treatment. The median time to achieve such alleviation was 9 days for patients in the test group and 12 days for patients in the control group. In terms of secondary endpoints, the patients in the test group had significantly lower average patient score than the patients in the control group on day 7 from the start of the treatment. There was no statistically significant difference between the two groups in terms other secondary endpoints.
- *Safety.* The trial showed a good overall safety and tolerability profile for azvudine. 34 patients in the test group experienced 47 AEs and 35 patients in the control group experienced 50 AEs. The AEs were mostly mild or moderate. No patient in the test group or the control group had any SAE. There was no statistically significant difference between the test group and control group with respect to the frequency and severity of AEs.
- *Conclusion.* In this trial, the test group showed superior results compared to the control group with respect to the two primary endpoints. Azvudine also demonstrated a good overall safety and tolerability profile, with comparable results between the test group and control group with respect to the frequency and severity of AEs.

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### Phase III Clinical Trial in Brazil

The Phase III clinical trial in Brazil is a multi-center, randomized, double-blind and placebo-controlled clinical study evaluating the safety and efficacy of oral administration of azvudine in patients with moderate to severe COVID-19. The third party agent responsible for the registration and execution of the trial obtained approval for the Phase III clinical trial from the Brazilian Health Regulatory Agency (ANVISA) in March 2021 and commenced the Phase III clinical trial in June 2021.

- *Study design.* The objective of the Phase III clinical trial is to evaluate the safety and efficacy of azvudine (in comparison with placebo) in patients with COVID-19. We expect to enroll 342 patients (in two treatment arms of 171 patients) in five study centers located in Brazil. The 171 patients in control group would take placebo tablets every day and the 171 patients in test group would receive daily oral administration of 5 mg of azvudine, a dose-level with demonstrated efficacy and safety record in previous studies. The treatment cycle would last to 14 days, unless the patient is discharged or withdraws his or her consent, with a follow-up period of up to 60 days. The primary endpoint of this trial is the proportion of patients demonstrating clinical improvement on the WHO clinical progression scale on day 15 from the start of the treatment. Other endpoints include clinical cure rate, time for body temperature normalization and time for improvements in certain symptoms.
- *Trial status.* As of the Latest Practicable Date, the trial was completed and we are coordinating with the third party agent with respect to the collection and analysis of final trial results.

### Other Studies

In February 2020, we entered into a collaboration agreement with People’s Hospital of Guangshan County, Henan Province (河南省光山縣人民醫院) to conduct a prospective, randomized, open-label and controlled investigator-initiated clinical trial to assess azvudine’s safety and efficacy in treating hospitalized patients with COVID-19. The study was initiated in February 2020 and completed in March 2020, with a total of 20 patients participating and completing the study. The patients were randomly assigned into a test group and a control group at the ratio of 1:1. The patients in the test group received oral administration of azvudine at 5 mg/day and symptomatic treatment till patient discharge, while the patients in the control group received standard antiviral and symptomatic treatment for COVID-19 in accordance with the government guideline. The preliminary clinical results showed that comparing to the standard treatment under the government treatment plan, the azvudine treatment may shorten the nucleic acid negative conversion time, *i.e.*, the time from the start of the treatment to the date of the first negative nucleic acid test result of at least two consecutive negative test results. No drug-related AEs were observed in patients treated with azvudine, while 30% of patients in the control group experienced AEs after treatment with standard antiviral drugs.

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In March 2020, we engaged the Institute of Medicinal Biotechnology of the Chinese Academy of Medical Sciences (中國醫學科學院醫藥生物技術研究所) to conduct preclinical studies to assess azvudine’s activity against SARS-CoV-2 *in vitro*. The study was completed in April 2020. It evaluated the anti-SARS-CoV-2 efficacy of CL-236, the analogue of azvudine monophosphate, by measuring the number of viral RNA copies and the cytopathic effect (the virus-induced structural changes in host cells) of SARS-CoV-2. The results demonstrated that CL-236 could significantly inhibit viral replication and protect the cells from SARS-CoV-2-caused cell death.

### Near-term Plans

*China.* We obtained a conditional approval from the NMPA for azvudine for the treatment of common COVID-19 in adults in July 2022 and will continue commercialization in China. See “—Commercialization—Azvudine” for more details. We expect to obtain the formal approval from the NMPA for azvudine for the treatment of common COVID-19 in 2025. In addition to HIV and COVID-19, we are also expanding azvudine’s indications, which includes blood cancer, liver cancer, colorectal cancer, and NSCLC. We are currently conducting Phase I clinical trials for azvudine as a monotherapy for the treatment of blood cancers. See “—Cancer Treatment” below for details.

*Brazil.* As of the Latest Practicable Date, the Phase III clinical trial for azvudine in Brazil had been completed and we are coordinating with the third party agent (engaged for the registration and execution of the trial) with respect to the collection and analysis of final trial results.

### Material Regulatory Communications

#### China

Our communications with the NMPA relating to the development of azvudine for the treatment of COVID-19 can be divided into three stages: (i) indication expansion discussions with the CDE and the local bureau of Henan Medical Products Administration (河南省藥品監督管理局), or the HMPA; (ii) application for initiation of a Phase III clinical trial; and (iii) application for NDA approval.

- In March 2020, we had communications with the CDE regarding indication expansion of azvudine for the treatment of COVID-19 and the relevant review and approval procedure. Pursuant to the Drug Administration Law of the PRC, the Measures for the Administration of Drug Registration and other relevant laws and regulations governing the drug marketing and clinical trial approvals, an additional and separate clinical trial needs to be conducted for COVID-19 indication expansion of azvudine and a new application for the clinical trial shall be submitted. The research and development of azvudine for the treatment of COVID-19 would not be impacted by our fulfillment, or lack thereof, of the conditions under the NMPA’s conditional approval of azvudine for treating HIV infection or the results of the clinical trial of azvudine for treating HIV infection. Additionally, according to the consultation our PRC Legal Advisors conducted with the Sixth Supervision Bureau

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of HMPA, given that azvudine indicated for each of HIV infection and COVID-19 is the same molecular compound, the COVID-19 indication will be considered an indication expansion of azvudine and will therefore be treated as the same product. According to our PRC Legal Advisors, the Sixth Supervision Bureau of HMPA is the competent authority for the routine supervision of our PRC operating company, Henan Genuine.

- In April 2020, we submitted an application to the CDE to initiate a Phase III clinical trial for azvudine for the treatment of COVID-19 based on (i) the safety profile of azvudine demonstrated in the Phase I and Phase II clinical trials of azvudine for HIV treatment; and (ii) the efficacy profile demonstrated in preclinical *in vitro* studies and a preliminary clinical trial of azvudine as a treatment for COVID-19. In April 2020, we received approval from the NMPA for the Phase III clinical trial for azvudine for treatment of COVID-19 in China.
- In July 2022, we submitted an NDA application to the NMPA for approval of azvudine for the treatment of COVID-19. The NMPA reviewed our materials, including data from the Phase III clinical trials in China and Russia, in accordance with the China Food and Drug Administration Special Review and Approval Procedure for Drugs (《國家食品藥品監督管理局藥品特別審批程序》) and granted a conditional approval for indication expansion of azvudine as a Class 2.4 chemical drug (drugs with known active ingredients approved for a new indication) to the treatment of common COVID-19 in adults in July 2022. Pursuant to the approval, we could commence commercial sales of azvudine for the COVID-19 indication and shall (i) conduct pharmacodynamic studies of azvudine against mutant variants of the SARS-CoV-2 virus; (ii) actively progress ongoing clinical trials of azvudine and submit trial reports upon completion; (iii) continue to collect efficacy and safety clinical data post-approval; and (iv) submit the required materials within three years of approval.
- In August 2024 and January 2025, we communicated with CDE for full approval of azvudine for treatment of COVID-19.

### Russia

We authorized Beijing Union to carry out registration applications, clinical trials and application of azvudine for treating COVID-19 in Russia. See “—Our Technology Transfer Arrangements and Collaborations—Beijing Union Collaboration Agreements in Russia and Ukraine” for more details.

- In November 2020, Beijing Union submitted an IND application to the Russian MoH. In January 2021, the Russian MoH granted permission for the Phase III clinical trial of azvudine for treatment of COVID-19 in Russia.
- In February 2023, Beijing Union obtained the marketing authorization of azvudine for the treatment of COVID-19 in Russia from Russian MoH.



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### Brazil

We authorized Beijing Union and an Independent Third Party agent to carry out registration applications, clinical trials and application of azvudine for treating COVID-19 in Brazil. See “—Our Technology Transfer Arrangements and Collaborations—Tripartite Collaboration Agreements in Brazil and Other Regions of South America” for more details. In November 2020, an affiliate of the agent, who is also an Independent Third Party, submitted an IND application to the ANVISA. In March 2021, the ANVISA granted approval for the Phase III clinical trial for azvudine for treatment of COVID-19 in Brazil. As of the Latest Practicable Date, the Phase III clinical trial for azvudine in Brazil had been completed and we are coordinating with the third-party agent with respect to the collection and analysis of final trial results.

Other than the above, we have not had any material communications with the NMPA, the ANVISA or the Russian MoH for azvudine for treatment of COVID-19. As of the Latest Practicable Date, no material adverse change had occurred with respect to the review or approval process of azvudine for the treatment of COVID-19 in China, Russia or Brazil.

### **Cancer Treatment**

Malignant tumor is a major disease that threatens the well-being and life of human beings. In 2023, there were 20.8 million new cases of malignant tumor globally. The development of targeted therapies have shifted the treatment paradigm for many cancer types, leading to a fast expansion of the oncology market. From 2018 to 2023, global market of oncology drugs expanded from US\$128.1 billion to US\$228.9 billion, representing a CAGR of 12.4%, and is expected to reach US\$419.8 billion by 2030, with a CAGR of 9.1% from 2023 to 2030. The oncology drug market in China grew from RMB157.5 billion in 2018 to RMB241.6 billion in 2023 at a CAGR of 7.2% and is forecasted to continue its strong growth, reaching RMB548.4 billion in 2030 at a CAGR of 12.4% from 2023. The top 10 cancer in terms of incidence globally are lung cancer, breast cancer, colorectum cancer, prostate cancer, stomach cancer, liver cancer, thyroid cancer, lymphoma, cervix uteri cancer and bladder cancer. The top 10 cancer in terms of incidence in China are lung cancer, colorectum cancer, thyroid cancer, liver cancer, stomach cancer, breast cancer, esophagus cancer, cervix uteri cancer, prostate cancer and pancreas cancer.

Due to the unrestricted growth, infiltration and metastasis of malignant tumors, conventional treatment methods such as surgical resection and radiotherapy cannot completely remove or completely kill tumor cells, and tumor metastasis or recurrence often occurs. For unresectable locally advanced or metastatic solid tumors, the mainstream treatment strategy is still drug therapy. Cytotoxic chemotherapeutic drugs have limitations due to their significant toxic side effects and drug resistance, drug resistance poses a formidable barrier to achieving optimal clinical outcomes. Combination therapies have shown promise in overcoming resistance by targeting multiple pathways simultaneously. Combining PD-1 inhibitors with CTLA-4 or EGFR blockade, chemotherapy, or novel nucleoside analog drugs (azvudine) has demonstrated improved outcomes in certain cancers. Among these, azvudine, which can suppress viral life cycle, cancer cell growth and inhibit adhesion, migration, invasion, and proliferation of malignant cells, has shown its potential to combine with chemotherapeutic and/or immunotherapy regimens and potential to increase the efficacy of multiple anticancer therapies.



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Since the approval of gemcitabine and capecitabine in the late 1990s, no new nucleoside anticancer drugs have been discovered in the past 30 years. As the only dual-mechanism, highly selective nucleoside drug in the past 30 years, azvudine has good safety and is also expected to become a safe antitumor therapeutic drug. Highly selectivity refers to the ability of a drug to accurately recognize and act on tumor cells through specific molecular mechanisms, with little binding to normal cells. Azvudine can specifically and highly selectively bind into the tumor fine DNA, so that it can not complete the replication, and thus achieving a highly effective anti-tumor effect. Azvudine, at the same time, binds very little to the DNA of normal cells. As normal cells have a self-repair mechanism, they may remove the incorrectly bound nucleosides from the DNA of normal cells, allowing azvudine to achieve a specific and highly selective inhibition of the DNA of the tumor cells, and to result in a specific and highly effective anti-tumor effect with very little effect on the normal cells and fewer side-effects. In particular, azvudine has a dual antitumor mechanism of action by inhibiting DNA synthesis in tumor cells and enhancing immunity through immunomodulation, thereby further enhancing its antitumor effect. Since nucleoside drugs have a different mechanism of action than non-nucleoside chemotherapeutic drugs and various targeted drugs, combination therapy with azvudine and any non-nucleoside chemotherapeutic drug or targeted drug may have a synergistic effect. To grasp the market opportunities and leverage azvudine's dual anti-tumor mechanism, we have been developing azvudine combination therapy and other drug candidates for the treatment of various types of solid tumor including NSCLC, liver cancer, colorectum cancer, and expanding the indication treated by azvudine into blood cancer.

### **Solid Tumor Drug Pipeline**

#### ***Azvudine/anti-PD-1***

##### *Market Opportunities and Competition*

In 2023, there was approximately 2.0 million new cases of colorectal cancer worldwide, ranking third among all malignant tumors; there were 0.5 million new cases in China, ranking second among all malignant tumors. In 2023, there were approximately 0.9 million new cases of liver cancer worldwide, ranking sixth among all malignant tumors. The ratio of liver cancer incidence to mortality is 1:0.9. The 5-year survival rate in North American countries and regions is 15% to 19%, while in China it is only 12.1%, severely threatening the lives and health of patients.

In recent years, immunotherapy based on immune checkpoint inhibitors (ICI) such as programmed cell death receptor-1 (PD-1) or programmed cell death ligand-1 (PD-L1) has developed rapidly, significantly improving the prognosis of many patients with advanced malignant tumors such as non-small cell lung cancer, liver cancer, and colorectal cancer. Although the sudden rise of immunotherapy has provided more treatment options for patients with advanced NSCLC, colorectal cancer and liver cancer, the efficiency of immunotherapy still faces great challenges. At present, most patients still do not respond to PD-1/PD-L1 blockade, The mechanism has not yet been fully clarified. It is currently believed that the factors contributing to non-response may be related to the tumor microenvironment, such as the lack of tumor-infiltrating effector T cells or the inhibitory extracellular matrix in the tumor

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microenvironment inhibiting the migration of effector T cells to the cancer nest to exert anti-tumor effects. The tumor microenvironment includes a variety of immune cells, tumor-associated fibroblasts, endothelial cells, extracellular matrix, among others, which participate in the occurrence, progression and metastasis of tumors and play a key role in the pathogenesis of tumors. Therefore, the development of new anti-tumor drugs with both anti-tumor activity and the ability to regulate the tumor microenvironment is of great significance for the treatment of tumors.

### *Mechanism of Action and Advantages of our Drug Candidate*

To further investigate the therapeutic potential of azvudine for the treatment of cancers, we are developing the combination therapy of azvudine and anti-PD-1 for the treatment of liver cancer and colorectal cancer. PD-1 is a type of receptor expressed on the surface of immune cells, including T cells. Cancer cells can upregulate the expression of PD-L1, which binds to PD-1 on T cells, thereby inhibiting the proliferation and activation of CD4+ T cells and CD8+ T cells and suppressing T cell responses to cancer cells. PD-1 inhibitors block the interaction between PD-1 and PD-L1 and restores T cell activity, leading to enhanced recognition and remission of cancer cells. Azvudine can also be used as an immunomodulator, significantly reducing the over-clustering of myeloid-derived suppressor cells (MDSCs) in the tumor microenvironment, promoting the infiltration and proliferation of CD8+T, CD4+T cells and natural killer (NK) cells, thereby exerting an antitumor effect. The tumor-suppressive effect of this mechanism is related to the expression of MDSCs in the tumor microenvironment, and the effect is better in solid tumors with more MDSC infiltration, such as liver cancer, colorectal cancer and NSCLC. In our preclinical animal studies described below, we verified the aforementioned mechanism. We believe the combination therapy of azvudine and anti-PD-1 has the potential to lead to stronger effect in the treatment of liver cancer and colorectal cancer due to the complementary mechanisms of action.

Our preclinical study in syngeneic models (where the tumor cells from a mouse were implanted back into the same strain of mice) of CT26 colorectal cancer cell line, the combination therapy of azvudine (1 mg/kg QD) and PD-1 inhibitors (10 mg/kg twice weekly) significantly inhibited tumor growth after 4-week treatment as compared to the untreated control group and resulted in an increased TGI rate of 95.0% at day 21, as compared to the TGI rate of 83.0% in the azvudine monotherapy group of the same dose level and 39.0% in the anti-PD-1 monotherapy group of the same dose level. Furthermore, 70% of complete response (CR) was observed on day 27 in the combination therapy group and tumor remission continued after treatment was discontinued and a 100% tumor remission was observed on day 39. In addition, in the re-challenge study, where the CT26 cell line was inoculated again into preselected mice with complete tumor remission after treatment on day 67), upon observing the test subjects for another 30 days up to day 96, there was no sign of recurrence, demonstrated that long-time immunologic memory and rejection to CT26 tumor cells were generated in the tested mice after four-week treatment of azvudine/anti-PD-1.

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Our preclinical study in syngeneic models of H22 liver cancer cell line has demonstrated that the combination therapy of azvudine (0.5 mg/kg once a day) and PD-1 inhibitors (10 mg/kg twice weekly) significantly inhibited tumor growth after 4-week treatment as compared to the control group and resulted in an elevated TGI rate of 90.4% at day 20, as compared to the TGI rate of 66.8% in the azvudine monotherapy group of the same dose level and 79.6% in the anti-PD-1 monotherapy group of the same dose level. In particular, the model showed immunological memory after combined treatment with azvudine, as tumor remission continued after treatment was discontinued on day 27. A 100% tumor remission was observed on day 48, while no re-occurrence was observed upon the day 100 of continued observation.

Additionally, from September 2023 to April 2024, an investigator-initiated open-label clinical trial of azvudine (4 mg) was conducted to evaluate its efficacy and safety for the treatment of various late-stage solid tumors, including NSCLC, liver cancer and colorectal cancer and others. A total of 21 patients (including 6 with liver cancer, 5 with NSCLC and 4 with colorectal cancer) were enrolled. Imaging evaluation showed that patients with PD-1/PD-L1 immunotherapy jointly administered with azvudine experienced more tumor shrinkage than patients without PD-1/PD-L1 immunotherapy. However, due to the various tumor types in this study, the different cancer progression characteristics, as well as the imbalance of the populations between different cancer groups, the overall difference between the groups with and without PD-1/PD-L1 immunotherapy was not statistically significant.

### *Material Communications and Next Steps*

We obtained the IND approval from the NMPA for the clinical trials of azvudine in patients with advanced solid tumors in September 2024. We initiated Phase I trial in January 2025 with three patients enrolled as of the Latest Practicable Date. Pursuant to the IND approval, we are required to conduct clinical trials within three years of the approval. The data of Phase I trial will be used to support the drug combination studies in future and full development of solid tumor indications. Such data are also expected to be used to support the development for the treatment of blood cancer as the safety, tolerability, and PK data are inherently applicable for later-phase clinical trials of other cancers.

We expect to submit IND applications for the combination therapy of azvudine/anti-PD-1 for the treatment of liver cancer and colorectal cancer in 2025. In addition, we commenced a single-arm, single-center and open-label investigator-initiated clinical study in patients with advanced solid tumors in China to evaluate the safety, tolerability and preliminary anti-tumor potency of azvudine in August 2024. We are conducting a dose escalation (3 mg, 4 mg, 5 mg and 6 mg) phase and a dose expansion phase for this trial, and plan to enroll 13-36 patients and 30-120 patients for each phase, respectively. As part of our global expansion strategy, we also plan to apply for IND for the combination therapy of azvudine and anti-PD-1 in jurisdictions overseas following its IND approval in China.

As communicated with the Sixth Supervision Bureau of Henan Medical Products Administration on May 13, 2024, the Sixth Supervision Bureau of Henan Medical Products Administration confirmed that a combination therapy of a new drug (in this instance, azvudine) with an existing marketed drug (in this instance, PD-1 inhibitors) will be regulated as the same product as such new drug for regulatory purposes and shall be evaluated through necessary clinical trials as required for indication expansion of the new drug. Based on this confirmation, we believe that the combination therapy of azvudine/anti-PD-1 is regarded as an indication expansion of azvudine.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET AZVUDINE/ANTI-PD-1 AS TREATMENT FOR LIVER CANCER OR COLORECTAL CANCER SUCCESSFULLY**

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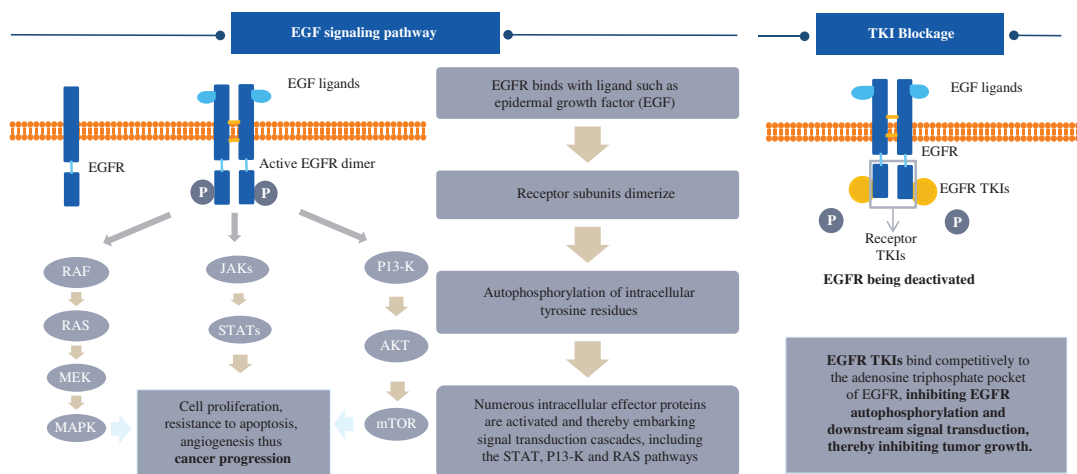
### Dosimertinib

We are developing dosimertinib, a highly potent, selective and orally administered epidermal growth factor receptor (EGFR)-targeting drug candidate, for the treatment of advanced EGFR mutation-positive non-small cell lung cancer (NSCLC), one of the most prevalent types of lung cancer in China. Dosimertinib is designed to address the medical needs of advanced NSCLC patients harboring EGFR mutations that are resistant to previous generations of targeted drugs, which are usually mutation-specific and could become less effective toward newly emerged mutations. Preclinical pharmacokinetic studies have shown that the levels dosimertinib are higher in lung and brain tissue than those of osimertinib, demonstrating dosimertinib has an advantage in the treatment of lung cancer and brain metastases.

We are conducting a Phase I/Phase II clinical trial in China to investigate the safety and efficacy of dosimertinib and expect to complete such trial in 2025. As of the Latest Practicable Date, we had enrolled 23 patients for this trial and completed the dose escalation stage. We have observed an overall good safety profile and good dose-related efficacy from the preliminary trial results. The tumor assessments of three patients in the 240 mg dose group showed significant efficacy, with one patient assessed as SD with shrinkage and the disappearance of non-target lesions in the brain, and two patients assessed as PR.

### Mechanism of Action

Similar to osimertinib, an FDA- and NMPA-approved treatment for NSCLC, dosimertinib is a third-generation EGFR tyrosine kinase inhibitor (EGFR-TKI). EGFR is a type of transmembrane protein that is involved in cell signaling pathways that control cell proliferation. When over-activated, EGFR could help the rapid growth and division of cancer cells. EGFR-TKIs block the activity of EGFR by blocking its intracellular kinase domain, therefore preventing its autophosphorylation, an essential process for EGFR to become an active molecule, and subsequent activation. In terms of molecular structure, dosimertinib is a "deuterated" version of osimertinib, where multiple hydrogen atoms are substituted with deuterium, a heavy stable isotope of hydrogen. Such substitution leads to positive impact on the pharmacokinetic, therapeutic and toxicological profiles of select compounds. The following picture demonstrates the mechanism of action of dosimertinib:



Source: Frost & Sullivan

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### *Market Opportunity and Competition*

Lung cancer is the malignant tumor with the highest incidence and mortality rate worldwide and in China. Among them, NSCLC is the most common type of primary lung cancer, accounting for about 85% of all lung cancers worldwide. NSCLCs are relatively insensitive to chemotherapy, in comparison with small cell carcinoma. The most common types of NSCLC are squamous cell carcinoma, large cell carcinoma and adenocarcinoma. China’s NSCLC incidence reached approximately 0.9 million in 2023. The incidence of NSCLC in China is expected to further increase to approximately 2.6 million by 2030.

There are significant unmet medical needs of NSCLC patients in China because of NSCLC’s poor survival rate, complexity of different disease subtypes and drug resistance. According to the United States National Comprehensive Cancer Network Guidelines, treatments of early-stage NSCLC is mainly surgery and radiotherapy. Meanwhile, targeted drugs, including EGFR-TKIs, are used for patients with advanced NSCLC. As of the Latest Practicable Date, there were twelve EGFR-TKIs approved for NSCLC treatment in China, among which had been approved for first-line treatment for advanced EGFR mutation-positive NSCLC. See “Industry Overview—The Oncology Drug Market—The NSCLC Drug Market” in this document. The targeted therapies for NSCLC are usually mutation-specific and could become less effective toward newly emerged mutations. The first two generations of EGFR-TKIs typically target sensitive and moderately sensitive mutations of EGFR, but are not effective against EGFR T790M, a drug-resistant mutation that could be effectively suppressed by third-generation EGFR-TKIs. Osimertinib, currently a standard-of-care first-line therapy for advanced EGFR mutation-positive NSCLC, is a third-generation EGFR-TKI. However, its primary toxic metabolite, AZ5104, exhibits a reduced selectivity margin against wild-type EGFR, which leads to heightened concerns over its potential toxic effects.

We believe dosimertinib has the potential to become an effective treatment for advanced EGFR mutation-positive NSCLC with the following advantages:

- *Comparable efficacy.* Dosimertinib has shown, in *in vitro* assays and animal studies, efficacy in anti-tumor activity comparable to that of osimertinib.
- *Improved safety.* As shown in animal studies, dosimertinib reduces the level of toxic metabolites by as much as 80% compared to that of osimertinib while demonstrating the same level of efficacy.
- *Superior tissue distribution.* Preclinical pharmacokinetic studies have shown that the levels dosimertinib are higher in lung and brain tissue than those of osimertinib, demonstrating dosimertinib has an advantage in the treatment of lung cancer and brain metastases.

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### *Summary of Clinical and Preclinical Results*

#### Phase I/Phase II Clinical Trial

The Phase I/Phase II clinical trial is an open-label, dose escalation and dose expansion clinical study evaluating the safety, tolerance, pharmacokinetic characteristics and preliminary efficacy of oral administration of dosimertinib for treatment of patients with EGFR T790M mutation-positive locally advanced or metastatic NSCLC. We communicated with the NMPA in May 2019 regarding this trial. We obtained an IND approval for our Phase I/Phase II clinical trial from the NMPA in April 2020.

- *Adjusted study design.* For the Phase I dose-escalation trial, we expect to enroll approximately 33 patients to explore the safety and tolerability of dosimertinib and collect data for the PK analyses of dosimertinib. We plan to assign the enrolled patients to six groups, with one to three patients in the starting dose (20 mg/day) group and six patients in the 80 mg/day group, and three (default setting) or six patients in each of the remaining groups. The patients will be treated with dosimertinib, at a dosage of 20 mg/day, 40 mg/day, 80 mg/day, 160 mg/day, 200 mg/day and 240 mg/day, respectively. The trial would proceed from one dose level to the next if none of the three patients in a group experiences dose limiting toxicities (DLT) during the 28-day treatment cycle. If one of the original three patients in a group experiences DLT, three more patients would be added to the group and the trial would proceed to the next dose level only if none of the newly added three patients experience DLT. If one or more of the newly added three patients experience DLT, the dose-escalation trial would be terminated.

For the Phase II dose-expansion trial, we intend to enroll additional patients and collect additional information regarding the preliminary safety and efficacy of the selected dosage. We expect to enroll approximately 60 patients who meet the criteria. The patients will be treated with dosimertinib, at a dosage of 80 mg/day.

The primary endpoints for the trial are key safety and tolerance indicators for dosimertinib, such as number and severity of AEs and patient vital signs. Other endpoints include key pharmacokinetic and efficacy measures of dosimertinib. We have obtained ethical approvals for the clinical trial.

- *Trial status.* We initiated the trial in October 2022. In November 2023, we made a protocol adjustment about trial design for the Phase I dose-escalation trial by removing Osimertinib control group (considering mature PK data is available for osimertinib) and 120 mg/day dosimertinib group and adding 160 mg/day, 200 mg/day and 240 mg/day dosimertinib groups to better evaluate the safety, tolerance and pharmacokinetic characteristics of dosimertinib in higher doses. We received approval from the relevant ethics committee in January 2024. Prior to such protocol amendment, we had enrolled 10 patients (2 in the 20 mg/day group, 3 in 40 mg/day group and 5 in the 80 mg/day group) for the Phase I trial, whose data would be considered valid. As of the Latest Practicable Date, we had enrolled 23 patients for this trial and had completed the dose escalation stage.



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- Preliminary trial results: As of the Latest Practicable Date, according to the latest trial results, no DLTs were observed in the dosimertinib 20 mg, 40 mg, 80 mg, 160 mg, 200 mg or the 240 mg dose group, overall safety profile was good, and we have also preliminarily observed a good dose-related efficacy. To summarize, the preliminary trial results showed that dosimertinib has a similar efficacy to osimertinib but with a better safety profile. The tumor assessments of three patients in the 240 mg dose group showed significant efficacy, with one patient assessed as SD with shrinkage and the disappearance of non-target lesions in the brain, and two patients assessed as PR, with one of whom experiencing with the disappearance of three non-target lesions (left upper lobe of the lung, left lower lobe of the lung, and left pleura).

We expect to complete the Phase I/Phase II trial in 2025.

### Preclinical Studies

We conducted preclinical studies on pharmacodynamics, pharmacokinetics and toxicity of dosimertinib, and achieved favorable results to support the clinical development. The major preclinical studies were summarized as below:

- *Safety.* Nonclinical toxicity evaluation of dosimertinib included 28-day repeat-dose toxicity studies in male and female rats and beagle dogs with oral administration. In the toxicity study in rats, rats were orally administered dosimertinib at 4, 10, 20 and 40 mg/kg every day for 28 days. No observed adverse effect level (NOAEL) of this study was determined to be 4 mg/kg/day for male rats and 20 mg/kg/day for female rats. Highest non-severely toxic dose (HNSTD) of this study was determined to be 40 mg/kg/day for male rats and 20 mg/kg/day for female rats and no obvious toxicity reactions were observed at dose levels at or below the HNSTD. In the toxicity study in beagle dogs, beagle dogs were orally administered dosimertinib at 1, 3 and 6 mg/kg every day for 28 days. NOAEL of this study was determined to be 6 mg/kg/day. No obvious toxicity reactions were observed at dose levels at or below NOAEL.
- *Efficacy.* Dosimertinib showed dose-dependent inhibitory activities toward patient-derived xenocraft models of EGFR mutation-positive NSCLC cell lines BaF3, HCC827 and NCI-H1975 in preclinical studies. Among them, HCC827 was the most sensitive to dosimertinib. Efficacy in inhibition of growth of HCC827 in rat models was observed starting at a dosage of 0.5 mg/kg. With a dosage of 1 mg/kg, dosimertinib achieved a tumor growth inhibition (TGI) of 110.4% on HCC827. Efficacy in inhibition of growth of NCI-H1975 in rat models was observed starting at a dosage of 1.5 mg/kg. With a dosage of 3 mg/kg, dosimertinib achieved a TGI of 93.6% on NCI-H1975. Efficacy in inhibition of growth of BaF3 in rat models was observed starting at a dosage of 2.5 mg/kg. With a dosage of 5 mg/kg, dosimertinib achieved a TGI of 103.5% on NCI-H1975. At the same dosage level, dosimertinib exhibited dose-dependent inhibitory activities comparable to that of osimertinib on the three selected cancer cell lines.



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### *Material Communications and Next Steps*

In May 2019, we had communications with the CDE regarding our Phase I/Phase II clinical trial of dosimertinib. In February 2020, we submitted the IND application to the NMPA. In April 2020, we obtained IND approval from the NMPA for the Phase I/Phase II clinical trial for dosimertinib.

Other than the above, we have not had any material communications with the NMPA for dosimertinib for treatment of NSCLC. As of the Latest Practicable Date, no material adverse change had occurred with respect to the review or approval process of dosimertinib for the treatment of NSCLC.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET DOSIMERTINIB AS TREATMENTS FOR NSCLC SUCCESSFULLY**

### *Azvudine/Dosimertinib*

As a nucleoside analogue, our Core Product, azvudine, can induce tumor cells to release damage-associated molecular patterns (DAMPs), which interact with immune cells, including antigen-presenting cells (APCs), and could enhance APCs' ability of antigen presenting to improve the ability of T cells to kill and damage tumor cells. In addition, azvudine reduces myeloid-derived suppressor cells (MDSCs, pathologically activated white blood cells with potent immunosuppressive activity) in the tumor microenvironment and promotes the infiltration and expansion of natural killer (NK) cells and T cells, thereby augmenting the immune cell-mediated cytotoxicity against tumor cells. We believe azvudine and dosimertinib's complementary mechanisms have the potential to lead to synergistic effect in the treatment of NSCLC. In our preclinical studies in CDX models of the NCI-H1975 NSCLC cell line, the combination therapy of azvudine (1 mg/kg QD) and dosimertinib (2.5 mg/kg QD) resulted in an elevated TGI rate of 92.82%, as compared to the TGI rate of 87.50% in the dosimertinib monotherapy group of the same dose level. We have completed the preclinical studies and submitted an IND application for azvudine/dosimertinib for the treatment of NSCLC in November 2024.

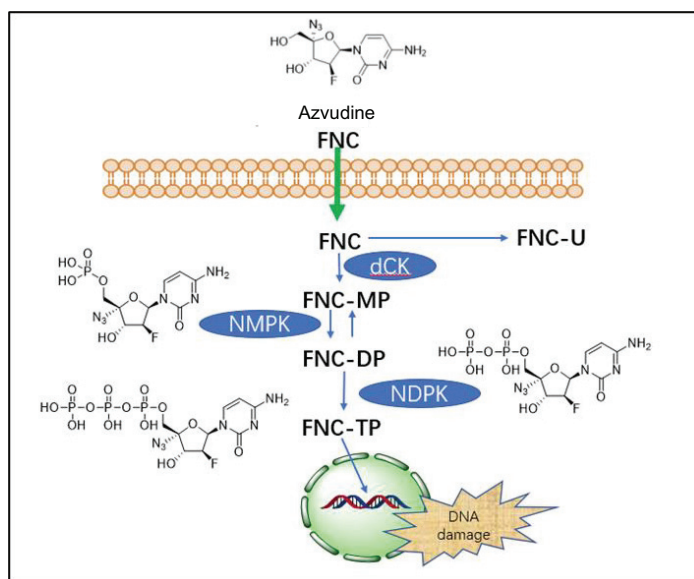
**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET AZVUDINE/DOSIMERTINIB AS TREATMENTS FOR NSCLC SUCCESSFULLY**

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### Blood Cancer Drug Pipeline

#### Azvudine

We are also developing our Core Product, azvudine, for the treatment of myeloma, lymphoma and acute leukemia. Azvudine has a dual anti-tumor mechanism, *i.e.*, it can not only inhibit the DNA synthesis of tumor cells, but also improve immunity through immune regulation to exert further anti-tumor effects. As a nucleoside analogue, azvudine can suppress the growth and proliferation of cancer cells by penetrating the synthesized nucleic acid chain and causing chain termination. In particular, after azvudine is triphosphorylated in cells, it is incorporated into DNA or RNA molecules to interfere with cell replication, competitively inhibit DNA polymerase, interfere specifically with nucleic acid metabolism as well as prevent cell division and reproduction, ultimately leading to the death of tumor cells. Deoxycytidine kinase (dCK) is a rate-limiting factor for azvudine's mechanism of action, therefore, azvudine is most sensitive to tumors with high expression of dCK (such as lymphoma). The chart below illustrates the mechanism of action of azvudine for treating blood cancers:



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We believe that azvudine has the following potential advantages as compared to other blood cancer drugs:

*Improved patient compliance.* Azvudine (5 mg) can be an effective treatment through daily oral administration, while most of the existing nucleoside chemotherapy drugs for treating hematological diseases are administered intravenously, e.g., cyclophosphamide (0.2 g) is administered through intravenous injection daily or every other day, and arabinoside glycoside (120 mg – 360 mg) is administered through intravenous injection or instillation daily.

*Good safety profile.* Azvudine has demonstrated a good safety profile in our clinical trials for the HIV and COVID-19 indications. Preclinical *in vitro* studies have shown that azvudine could inhibit cell proliferation by inducing apoptosis and cell cycle arrest of multiple blood cancer cell lines including Jeko-1, Jurkat, MM.1s and Ci-1 through a 24-hour treatment, but did not have cytotoxic effect on healthy human PBMC and T cells in a six-hour treatment. Additionally, in studies conducted on rat models, azvudine was well tolerated and achieved better efficacy in suppressing tumor growth than cytarabine at a much lower dosage level of 2 mg/kg as compared to cytarabine of 75 mg/kg.

*Enhanced immunity.* Azvudine has also demonstrated its potential to improve patients' immunity in multiple studies, where oral administration of azvudine increased the infiltration of CD4+ T cells and CD8+ T cells. In contrast, other nucleoside chemotherapy drugs have demonstrated severe bone marrow suppression reactions in clinical applications, indicating their immunosuppressive effects.

*High potency.* Azvudine has demonstrated potent activity against various blood cancer cell lines. In studies conducted in Molt 4 and Daudi cell lines (T lymphoblast and B lymphoblast cell lines widely used in *in vitro* studies on blood cancers), azvudine showed stronger inhibitory activity than cytarabine, an FDA-approved nucleoside-based medication for blood cancer. In terms of cancer progression, studies have also shown azvudine to inhibit adhesion, migration and invasion of tumor cells in a dose-dependent manner for Raji and JeKo-1, two human aggressive non-Hodgkin lymphoma cell lines.

We have completed preclinical studies of azvudine as a treatment of myeloma, lymphoma and acute leukemia. Our *in vitro* and *in vivo* studies have demonstrated the effectiveness of azvudine against blood cancer. Our *in vivo* studies also showed that azvudine (2 mg/kg) achieved 100% tumor remission in Jeko-1 model and 100% tumor remission in Jurkat model. We obtained an IND approval from the NMPA for the clinical trials of azvudine in patients with advanced solid tumors in September 2024, and initiated a Phase I clinical trial in January 2025 with three patients enrolled as of the Latest Practicable Date. Such data will also be used to support the development for the treatment of blood cancer as the safety, tolerability and PK data are inherently applicable for later-phase clinical trials of other cancers.

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## BUSINESS

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### *Azvudine/CTX*

In addition to the azvudine monotherapy, we are also exploring the combination therapy of azvudine and chemotherapy drugs, which remain a widely adopted treatment option for various cancers, for the treatment of lymphoma. In our preclinical studies in PDX models (patient-derived xenograft models, where tumor cells from patients are implanted into immunodeficient mice) of the LY3148 lymphoma cell line, the combination of azvudine with CTX demonstrated great potential for the treatment of lymphoma. CTX is a type of alkylating agent that could prevent cell proliferation by cross-linking DNA strands and inhibiting DNA synthesis, and has been approved by the FDA and the NMPA for the treatment of various cancers, including lymphoma. In our preclinical studies, compared to the untreated control group, both the azvudine and the CTX monotherapy groups showed significantly inhibited tumor growth, with a TGI (tumor growth inhibition) rate of 84.46% and 81.29% after two weeks, respectively, at the dosage of 1mg/kg once a day (QD) and 30 mg/kg once a week (QW), respectively. The combination of azvudine and CTX showed encouraging effect, achieving 100% tumor remission in all models in the combination therapy group after two weeks at the same dose levels. In this group, during the post-treatment observation period (from day 14 to day 60), the tumors in two models remained without recurrence, and the median survival time was 54.5 days, increased by 289.3% compared to the untreated control group. We expect to submit an IND application for azvudine/CTX for the treatment of lymphoma in 2025. Upon approval, we intend to further explore the potential of the combination therapy in clinical trials, including investigating the viability of a combination regimen with reduced dosage of CTX to mitigate potential adverse effects and enhance the safety profile of the product.

As communicated with the Sixth Supervision Bureau of Henan Medical Products Administration on May 13, 2024, the Sixth Supervision Bureau of Henan Medical Products Administration confirmed that a combination therapy of a new drug (in this instance, azvudine) with an existing marketed drug (in this instance, CTX) will be regulated as the same product as such new drug for regulatory purposes and shall be evaluated through necessary clinical trials as required for indication expansion of the new drug. Based on this confirmation, we believe that the combination therapy of azvudine/CTX is regarded as an indication expansion of azvudine.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET AZVUDINE AND AZVUDINE/CTX AS TREATMENTS FOR BLOOD CANCER SUCCESSFULLY**

### *Project ZS-1003*

ZS-1003 is a project aiming to discover anti-cancer drugs targeting topoisomerase I (TOPO1) enzymes. TOPO1 enzymes participate in the overwinding or underwinding of DNA and are particularly vulnerable to TOPO1 inhibitors during their cleavage reaction, meaning they can be trapped by anticancer drugs as they cleave DNA in cancer cells.

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Over the past few decades, the most widely used TOPO1 inhibitor has been irinotecan, a camptothecin (a naturally occurring alkaloid found in many plants) derivative, which has become the backbone of various anti-tumor combination therapies. Camptothecin and its derivatives, such as irinotecan, have been used as standard chemotherapeutic agents for more than 60 years. However, the improvement of camptothecin-based drugs has mainly focused on modifying the side chains of their parent nucleus without changing the five-ring planar structure of the core. As such, the existing drugs mostly share the same type of core structure. Camptothecin-based drugs face the problems of primary and post-treatment drug resistance, which is a shared challenge faced by the industry. Utilizing an AI-Computer Assisted Drug Design (CADD) approach, we successfully replaced one of the five rings for the core nucleus of camptothecin, which led to the discovery of a new generation of innovative small-molecule TOPO1 inhibitor and a novel ADC payload platform with strong global IP protection positions, which adopts a non-conventional parent nucleus structure of camptothecin to address the drug resistance challenge induced by the traditional class of camptothecin drugs. Currently, we have completed the discovery of the first small-molecule PCC compound under ZS-1003 project, being ZSSW-136. This PCC molecule demonstrates broad-spectrum antitumor activity and potential to effectively inhibit dozens of cancer cells at nanomolar concentrations; it showed 400 times of the activity as compared with irinotecan (the most widely used TOPO1 inhibitor) in multiple organoids experiments in patient-derived irinotecan-resistant tumor; and more importantly, it can completely inhibit tumor growth in the PDX animal model for irinotecan-resistant tumors overcoming irinotecan-resistance, which will address a significant clinical unmet medical need. We have discovered hundreds of novel molecules through ZS-1003, from which we have selected several payload compound candidates with best-in-class potential payload properties: our payload molecules are comparable in anti-tumor activity to commonly used ADC payloads (e.g. SN-38, DXd, and other camptothecin-based compounds), but with much improved druggability (e.g. membrane permeability, non-exocytosis, etc.). We have discovered numerous payload candidates with more than 50-fold higher potency compared to DXd in the DXd-resistant cancer cell lines; preparation of new ADC drugs with these novel payloads are in progress which will aim to overcome emerging resistance to current ADC drugs with TOPO1 inhibitors as payloads. More importantly, our payload molecules have a completely new parent nucleus structure, thus potentially addressing the drug resistance issue of commonly used payloads. Since the new generation of payloads can overcome drug resistance, which is a recognized challenge in the field of tumor therapy, and there is no reported new payloads that could overcome the DXd resistance challenge, we will commence BD and external collaboration work to promote the application of our new payload technology platform to various XDC (ADC, PDC, SMDC, etc.) drug conjugate projects, resulting in a wide range of new drugs that will benefit our patients and simultaneously create significant commercial values via licensing fees (such as upfront and milestone payments). We have submitted abstracts to 2025 AACR and EACR conferences to highlight our novel payload platform to address resistance to ADC drugs with DXD/SN-38 analogs as payloads.

As of the Latest Practicable Date, ZSSW-136 was in the preclinical stage. We plan to start the process for an IND application and subsequently begin clinical trials for ZS-1003 after completion of relevant preclinical studies.

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### **WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET DRUG CANDIDATES UNDER PROJECT ZS-1003 AS TREATMENT FOR SOLID TUMORS SUCCESSFULLY**

#### *Other Preclinical-Stage Drug Candidates*

We are also developing several other drug candidates for the treatment of solid tumors, including (i) an agonist of stimulator of interferon genes (STING) identified under ZS-1001 project, which has been identified as an innate immune pathway that can be activated by DNA leakage in tumor cells, and STING agonists can stimulate the expression of antigen-presenting cells (APCs) and type I interferons which leads to the priming and activation of T cells and therefore induce anti-tumor immune activities by directly activating the cyclic GMP-AMP synthase (cGAS)-STING signaling pathway; (ii) an inhibitor of ectonucleotide pyrophosphatase/phosphodiesterase 1 (ENPP1) identified under ZS-1002 project, the abnormal expression of which can be detected in many chromosomal instability tumors; and (iii) under the ZS-1004 project, we have discovered an ADC drug consists of a novel monoclonal antibody targeting prostate-specific membrane antigen (PSMA), a newly designed cleavable hydrophilic linker and a cytotoxic payload. Compared with healthy cells, prostate-specific membrane antigen is overexpressed on the surface of many cancer cells; the antibody of this ADC has high affinity to the target antigen, low immunogenicity, a long plasma half-life and good endocytosis ability; the linker has high water solubility, reasonable length and stability; specific coupling sites and modified linkers make this ADC have excellent stability, high DAR uniformity and high tumor tissue enrichment. The ADC drug is designed to bind to PSMA-positive cells and cause tumor cell death through the cytotoxic payload. We plan to develop its application in various types of tumor indications, including prostate cancer, liver cancer, bladder cancer, kidney cancer, etc. There are no ADC products on the market for these indications in the world, and the market size is huge. Preclinical studies in tumor-bearing mouse models have shown that the tumor growth inhibition rate of this ADC drug is as high as 95%, demonstrating good tumor growth inhibition efficacy and excellent safety. As of the Latest Practicable Date, we had been conducting preclinical studies of drug candidates under projects ZS-1001, ZS-1002 and ZS-1004. We plan to start the process for an IND application and subsequently begin clinical trials after completion of relevant preclinical studies.



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### **WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET DRUG CANDIDATES UNDER PROJECTS ZS-1001, ZS-1002 AND ZS-1004 AS TREATMENTS FOR SOLID TUMORS SUCCESSFULLY**

#### **Central Nervous System (CNS) Drug Candidate**

##### ***MTB-1806***

MTB-1806 is a small-molecule drug candidate indicated for AIS, whose typical cause is intracranial atherosclerotic disease (ICAD). AIS occurs when blood flow through a brain artery is blocked by a clot, *i.e.*, a mass of thickened blood. AIS is characterized by a sudden loss of blood circulation to an area in the brain, the corresponding lack of blood and oxygen supply resulting in nerve damage and loss of neurological function.

The incidence of AIS in China increased from 3.3 million in 2018 to 4.1 million in 2023 and is expected to further increase to 5.7 million in 2030. This suggests an increasing medical need for an effective and safe stroke drug.

We have commenced preclinical studies for MTB-1806. So far MTB-1806 has demonstrated its efficacy in pharmacodynamic studies, where it effectively reduced the infarction (the death of brain tissue) volume and the brain swelling volume as observed in middle cerebral artery occlusion, or MCAO, rat models (a commonly used stroke model in rats) and improved the neurobehavioral score. Additionally, under lower drug dosing regimens (10 mpk and 15 mpk), MTB-1806 was still able to reduce cerebral edema and neurological deficits in rats with global ischemia-reperfusion injury (a common feature of ischemic stroke), demonstrating efficacy comparable to NBP, an NMPA-approved AIS drug, under a higher dosing regimen (25 mpk). The preclinical studies also demonstrated a good dose-effect relationship. The results of animal experiments suggest that the inhibition rate of MTB-1806 on the formation of cerebral infarction area after AIS is 75.3%, which is approximately three times of that of NBP. An *in vitro* stability test in human liver microsomes suggests that the half-life of MTB-1806 is 19.09 hours, which is approximately 19 times of that of NBP (below one hour), and, as such, suggests that MTB-1806 can be taken once daily. The results of acute toxicity test in mice suggest that the toxicity of MTB-1806 is significantly lower than that of NBP, with MTB-1806's median lethal dose being about three times of that of NBP, suggesting a better safety profile. Furthermore, the use of MTB-1806 can significantly reduce the area of cerebral ischemic infarction; the area of cerebral ischemia and reperfusion of mice with cerebral ischemia and reperfusion is reduced to 12.0% by MTB-1806, which is significantly smaller than that of NBP which is 37.5%. MTB-1806 also demonstrated superior PK to NBP in terms of *in vivo* exposure and oral bioavailability in rat models. No significant abnormality in body weight was observed in dog models after a single intragastric administration of MTB-1806, with a MTD (the highest dose of a drug or treatment that does not cause unacceptable side effects) of over 80 mg/kg/day. There was an obvious toxicokinetics-dose relationship without significant gender difference. All animal models showed good tolerance to MTB-1806 and no abnormalities were observed before and after drug administration.

We expect to complete our preclinical studies and submit IND application in 2025.



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### WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET MTB-1806 SUCCESSFULLY

### OUR TECHNOLOGY TRANSFER ARRANGEMENTS AND COLLABORATIONS

#### Zhengzhou University Technology Transfer Agreement

Azvodine, our Core Product, was initially developed by Zhengzhou University, a public university in China. Beijing Xingyu Zhongke Investment Co., Ltd. (北京興宇中科投資有限公司) (“Xingyu Zhongke”), a company controlled by Mr. Wang, entered into a technology transfer agreement with Zhengzhou University on December 16, 2011 (the “Azvodine IP Transfer Agreement”) to acquire intellectual property rights in azvodine.

The table below summarizes key terms in the Azvodine IP Transfer Agreement:

<i>Scope of Technology Transfer</i>	Zhengzhou University transfers all rights in the core patent of azvodine (patent number ZL200710137548.0) and any existing and future NMPA approvals of azvodine to Xingyu Zhongke. Xingyu Zhongke is the sole right holder of such rights and is entitled to develop, apply for clinical trial/registrational approval for, manufacture and seek collaborations for azvodine for its treatment of HIV, HBV as well as HCV infections globally. Parties will invest together to develop azvodine for the treatment of cancers. Zhengzhou University also agrees to transfer any subsequent patent rights related to azvodine in jurisdictions other than China to Xingyu Zhongke with no additional conditions; alternatively, both parties will apply for such patent rights as co-applicants.
<i>Clinical Trial and Regulatory Registration</i>	Xingyu Zhongke will be responsible for subsequent clinical trials and registration work, with full technical support from Zhengzhou University. Xingyu Zhongke bears all costs associated with such registrational work. Both parties shall be named as applicants for any subsequent NMPA registration applications.

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<i>Transfer Fee and Payment Schedule</i>	<p>The transfer fee for the intellectual property rights of azvudine is RMB40.0 million, which shall be paid in three installments:</p> <ul style="list-style-type: none"><li>(i) the first installment of RMB5.0 million shall be paid within 30 days after the execution of the Azvudine IP Transfer Agreement;</li><li>(ii) the second installment of RMB5.0 million shall be paid within 30 days after the ownership of the core patent of azvudine have been properly transferred;</li><li>(iii) the final installment of RMB30.0 million shall be paid within 30 days after azvudine obtained the IND approval for HIV.</li></ul>
<i>R&amp;D Costs</i>	<p>Xingyu Zhongke bears all R&amp;D costs associated with the development of azvudine as a Class 1.1 new drug, including those incurred by Zhengzhou University for IND applications and approved by Xingyu Zhongke in writing.</p>
<i>Obligations of Zhengzhou University</i>	<p>Zhengzhou University shall complete all R&amp;D work for azvudine until it obtains the IND approval.</p>
<i>Confidentiality</i>	<p>Both parties are under strict confidentiality with respect to all research and registrational information and documentations, except for the publicly available information that was made public by Zhengzhou University prior to the Azvudine IP Transfer Agreement.</p>
<i>Term</i>	<p>The agreement became effective since December 16, 2011 and shall terminate upon the expiration of the core patent of azvudine.</p>

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After Henan Genuine, our PRC operating company, was established in 2012, Xingyu Zhongke and Zhengzhou University further entered into a supplemental agreement on May 14, 2013 (the “Azvudine Novation Agreement”) to novate the intellectual property rights under the Azvudine IP Transfer Agreement and transfer the relevant intellectual property rights to Henan Genuine. The Azvudine Novation Agreement provides that Xingyu Zhongke transfers all rights and obligations under the Azvudine IP Transfer Agreement to Henan Genuine.

On September 1, 2023, Henan Genuine obtained a written confirmation from Zhengzhou University (the “**Written Confirmation**”) to clarify the parties’ original intentions for the Azvudine IP Transfer Agreement. Pursuant to the Written Confirmation, Zhengzhou University has confirmed that (i) the transfer of the intellectual property rights of azvudine pursuant to the Azvudine IP Transfer Agreement was complete and unqualified, and entails full proprietary and derivative rights in azvudine for any possible indications; (ii) the Azvudine IP Transfer Agreement did not limit the scope of the transfer to the treatment of HIV, HBV and HCV infections, which were mentioned in the Azvudine IP Transfer Agreement for the purpose of memorializing the indications under development for azvudine at the time of the agreement; and (iii) since the date of the Azvudine IP Transfer Agreement, with respect to other indications such as cancer, the only achievement from Zhengzhou University’s R&D of azvudine was a PRC indication patent (patent number ZL201010506595.X), which Zhengzhou University transferred to Henan Genuine in July 2023,<sup>1</sup> and it has relinquished the right to co-invest in the R&D of azvudine for those other indications.

Based on the Azvudine IP Transfer Agreement, the Azvudine Novation Agreement and the Written Confirmation, Zhong Lun Law Firm LLP, our PRC intellectual property advisor (the “**PRC IP Advisor**”), is of the view that the transfer of the intellectual property rights of azvudine to Henan Genuine was complete as of the date of the Azvudine Novation Agreement. Therefore, according to the PRC IP Advisor, Henan Genuine has the full right to conduct any subsequent research, development and commercialization of azvudine, its preparation methods and its pharmaceutical use for any potential indications. Henan Genuine is also entitled to independently improve or further develop the transferred patent rights and become the sole right holder of any substantive or innovative technological advances arising from such development and intellectual property rights contained therein. Upon the transfer, Zhengzhou University is no longer entitled to commercially exploit the transferred patent rights in any manner unless permitted by Henan Genuine. Therefore, we regain the independence, autonomy and full rights in the R&D, commercialization and the ownership of intellectual properties of azvudine arising from our subsequent R&D in mainland China and other overseas markets.

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*Note:*

1. We acquired such cancer-related indication patent with a view to developing azvudine for such indication free from restrictions. Our continuing R&D of azvudine on the cancer indications will be based solely on our self-developed know-how, and will not depend on the transferred indication patent.

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### Meitaibao Technology Transfer Agreement

Henan Meitaibao Biological Pharmaceutical Co., Ltd.\* (河南美泰寶生物製藥有限公司) (“Meitaibao”) is a biotech company primarily focused on drug R&D founded by Dr. Du in July 2015, who served as its chief executive officer until December 2018.

Henan Genuine entered into a technology transfer agreement with Meitaibao on January 18, 2019 (as supplemented on February 20, 2019, July 25, 2019, June 1, 2020 and December 8, 2021 and also clarified by a clarification agreement dated June 20, 2020; collectively, the “Meitaibao Technology Transfer Agreement”) to acquire from Meitaibao intellectual property rights in 11 patents that are related to certain drug candidates in our pipeline, which mainly include CL-197, dosimertinib and MTB-1806, to develop and commercialize the corresponding drug candidates. We believe this acquisition further supplements our IP portfolio and strengthens our R&D capacities.

The table below summarizes key terms in the Meitaibao Technology Transfer Agreement:

<i>Scope of Technology Transfer</i>	Meitaibao transfers all rights in 11 patents (the “Meitaibao Patents”) to Henan Genuine.
<i>Transfer Fee and Payment Schedule</i>	<p>The transfer fee for rights in the Meitaibao Patents is RMB124.0 million, which shall be payable in multiple installments:</p> <ul style="list-style-type: none"><li>(i) the security deposit of RMB50.0 million, which shall be payable in multiple installments; and</li><li>(ii) the remaining amount of RMB74.0 million shall be paid subject to the condition that preclinical studies have been completed and IND approval for a Phase I clinical trial has been obtained for any two drug candidates developed from the Meitaibao Patents, and the payment will be made within 14 days upon obtaining such IND approval for the second drug candidate as mentioned above.</li></ul>
<i>R&amp;D Costs</i>	Henan Genuine bears all existing R&D costs associated with the ongoing R&D work for the drug candidate treating lung cancer.

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*Non-Competition*

Meitaibao and its affiliates agree that they will not, directly or indirectly, engage in the same or similar business activities as operated by Henan Genuine; nor will they engage any third parties to conduct, directly or indirectly, such same or similar business activities as operated by Henan Genuine; unless with prior approval by Henan Genuine in writing.

*Confidentiality*

Both parties are under strict confidentiality with respect to any non-public information, trade secrets and other information disclosed in the Meitaibao Technology Transfer Agreement.

*Term*

The agreement became effective from January 18, 2019 and shall terminate upon mutual agreement by the parties. The agreement may be terminated unilaterally by Henan Genuine if a breach of the agreement by Meitaibao would constitute a triggering event leading to early termination as stipulated in the agreement.

### **Beijing Union Collaboration Agreements in Russia and Ukraine**

Henan Genuine entered into a framework agreement with Beijing Union, a pharmaceutical company primarily engaged in the activities of drug R&D, manufacturing and commercialization, on April 18, 2020 (as supplemented on May 10, 2022, and together with a confidentiality agreement entered into by the parties on April 13, 2020, the “April 2020 Collaboration Agreements”) to authorize Beijing Union to fully carry out registration applications, clinical trials and application matters of azvudine in Russia and Ukraine. Beijing Union will be the MAH and act as the manufacturer of azvudine in Russia and Ukraine after it obtains marketing approval in these countries. As of the Latest Practicable Date, Beijing Union had completed the Phase III clinical trial of azvudine for treating COVID-19 in Russia and obtained marketing approval from the Ministry of Health of the Russian Federation in February 2023. See “—Our Product Portfolio—Our Antiviral Drug and Drug Candidates—COVID-19 Drug Pipeline—Azvudine—Summary of Clinical Trials” for details. As of the Latest Practicable Date, we had not initiated any clinical trials in Ukraine and do not intend to do so in the foreseeable future.

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The table below summarizes key terms in the April 2020 Collaboration Agreement:

<i>Territory</i>	Russia and Ukraine.
<i>Clinical trial and registration application collaboration</i>	Henan Genuine authorizes Beijing Union to fully carry out registration applications, clinical trials and other application matters of azvudine for all possible indications (including the COVID-19 indication) in Russia and Ukraine.
<i>Registration application support</i>	Beijing Union shall provide the clinical trial data for the clinical trial conducted in Russia to Henan Genuine for its registration application submitted in China. In addition, Beijing Union shall provide the authentic and complete clinical trial data to Henan Genuine in accordance with the requirements set forth by the relevant regulatory authorities in reviewing the registration applications to be submitted in jurisdictions other than Russia and China.
<i>Technical consulting service fee</i>	Henan Genuine shall pay Beijing Union a technical consulting service fee, based on 50% of the clinical trial and registration costs incurred by Beijing Union in Russia and to be confirmed by the parties, within 15 days after Henan Genuine obtained the NMPA approval for azvudine for the COVID-19 treatment with the support of the clinical trial data provided by Beijing Union.
<i>Rights of Beijing Union in Russia and Ukraine</i>	Beijing Union will be the MAH and act as the manufacturer of azvudine in Russia and Ukraine after it obtains marketing approval in these countries.
<i>Profit allocation upon marketing approval</i>	After azvudine is approved for marketing in a jurisdiction by the local competent authority, the net profit generated from the sales of azvudine in Russia and Ukraine shall first be used to reimburse Beijing Union for the actual expenses incurred in registration, certification and clinical trial matters in Russia (excluding the technical consulting service fee to be paid by Henan Genuine to Beijing Union) and then shared among the parties as agreed upon.

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### Tripartite Collaboration Agreements in Brazil and Other Regions of South America

Henan Genuine entered into a tripartite framework agreement with Beijing Union and an Independent Third Party agent on June 5, 2020 (the “June 2020 Framework Agreement”) to authorize Beijing Union to cooperate with the agent to carry out registration applications, clinical trials and application matters of azvudine for treating COVID-19 in Brazil and the Union of South American Nations (UNASUR).

In light of the parties’ collaboration following the June 2020 Framework Agreement, on November 8, 2021, Henan Genuine entered into a supplemental collaboration agreement (as further supplemented on January 28, 2022 and May 8, 2022; collectively, the “November 2021 Agreement”) with Beijing Union and an affiliate of the agent, who is also an Independent Third Party, as a supplement to the June 2020 Framework Agreement (together, the “Collaboration Agreements”). As of the Latest Practicable Date, the Phase III clinical trial of azvudine for treating COVID-19 in Brazil was completed. See “—Our Product Portfolio—Our Antiviral Drug and Drug Candidates—COVID-19 Drug Pipeline—Azvudine—Summary of Clinical Trials” for details.

The table below summarizes key terms in the Collaboration Agreements:

<i>Territory</i>	Brazil and the other regions of South America (as defined therein).
<i>Clinical trial and registration application collaboration</i>	Henan Genuine authorizes Beijing Union to cooperate with the affiliate to carry out registrations, clinical trials and application matters of azvudine for COVID-19 in Brazil and the other regions of South America.
<i>Clinical trial data ownership</i>	Henan Genuine is entitled to 50% of the ownership in the clinical data from the Phase III clinical trial of azvudine for treating COVID-19 in Brazil (“the Brazil Clinical Data”).
<i>Rights of Beijing Union</i>	After azvudine for the COVID-19 indication is approved for marketing in Brazil, Beijing Union shall act as the manufacturer for such product in Brazil.
<i>Rights of the affiliate</i>	After azvudine for the COVID-19 indication is approved for marketing in Brazil, the affiliate shall be the MAH of azvudine in Brazil and have exclusive marketing rights in Brazil and the other regions of South America.



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*Profit allocation upon marketing approval*

The net profit generated from the export of azvudine from China to Brazil and the other regions of South America shall first be used to reimburse Beijing Union and the affiliate for the actual expenses incurred in registration and clinical trial matters in Brazil and then shared among the parties as agreed upon.

The affiliate shall bear the costs related to and be entitled to the profit generated from the sales of azvudine after export.

While we do not consider Russia, Ukraine, Brazil and the other regions of South America to be main target markets for our business and agreed to conduct the clinical trial for the treatment of COVID-19 therein mainly due to practical concerns, *i.e.*, the lack of a large COVID-19 positive population in mainland China at the time, we believe our collaboration with Beijing Union, the agent and the affiliate in these territories is win-win for all parties. Particularly, such collaboration has demonstrated strong contribution to the value maximization of azvudine in that the NMPA did refer to the data of the clinical trial conducted in Russia in granting the conditional approval to azvudine for the COVID-19 indication expansion and requested that the Company submit the final trial report upon completion of this clinical trial.

### **Fosun Pharma Strategic Cooperation Agreements**

#### *Entrance into the Collaboration and Commercial Rationale*

On July 25, 2022, Henan Genuine entered into a strategic cooperation agreement (as supplemented on August 26, 2022, the “Fosun Pharma Agreements”) with Fosun Pharmaceutical Industrial, a subsidiary of Fosun Pharma, with respect to, among other things, Fosun Pharmaceutical Industrial’s exclusive commercialization of azvudine, the key terms of which are summarized as follows:

*Cooperation Regions*

- (i) Region I: mainland China, excluding Hong Kong, Macau and Taiwan; and
- (ii) Region II (together with Region I, the “Cooperation Regions”): rest of the world and excluding Russia, Ukraine, Brazil and other South American countries and regions.

*Cooperation Scope of Indications*

- (i) the treatment and prevention of COVID-19; and
- (ii) the treatment and prevention of HIV infection.

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*Cooperation Product*      Within the Cooperation Scope of Indications, the Cooperation Product includes the API and tablets of azvudine and all products in other formulations containing the API of azvudine, excluding a composite product candidate, developed by Henan Genuine, composed of azvudine and a molecule newly developed by Henan Genuine for the treatment of HIV infection (the "Excluded Product").

*Cooperation*      Henan Genuine will cooperate with Fosun Pharmaceutical Industrial exclusively as follows (the "Cooperation"):

- (i) in Region 1, Fosun Pharmaceutical Industrial shall be primarily responsible for the post-marketing clinical development of the Cooperation Product and Henan Genuine shall be primarily responsible for the preclinical study, production and supply of the Cooperation Product;
- (ii) the parties may enter into supplemental agreements for cooperation in Region II, where Fosun Pharmaceutical Industrial will lead preclinical pharmacological and toxicity studies, clinical development and registrational matters for the Cooperation Product, and the parties shall further discuss and arrange other preclinical studies, manufacturing and supply; and
- (iii) Fosun Pharmaceutical Industrial shall have the exclusive commercialization right in respect of the Cooperation Product for Region I and Region II (provided that the parties have entered into supplemental agreements for cooperation in Region II).\*

\* During the term of Fosun Pharma Agreements and up to the Latest Practicable Date, no supplemental agreement regarding the collaboration in Region II has ever been entered into between Fosun Pharmaceutical Industrial and us.

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*Development of  
Cooperation Product*

Region I:

– Treatment of COVID-19

The parties agree to establish a joint management committee to negotiate and coordinate on matters related to clinical trial, registration, drug safety monitoring, production and supply as well as commercialization of Cooperation Product for the treatment of COVID-19 in Region I. Fosun Pharmaceutical Industrial shall be responsible for conducting the clinical studies the NMPA may require after the conditional approval for the treatment of COVID-19.\* Henan Genuine shall be responsible for preclinical study (if necessary) and research on process, production and quality matters related to the Cooperation Product.

– Prevention of COVID-19

The parties agree to jointly conduct the prospective clinical studies on azvudine for the prevention of COVID-19 in Region I under the guidance of the joint management committee.

– Treatment of HIV infection

Henan Genuine shall be responsible for conducting the Phase III clinical trial of azvudine as required by the NMPA after the conditional approval for the treatment of HIV infection.

Region II:

If parties enter into a supplemental agreement for cooperation in Region II, Fosun Pharmaceutical Industrial shall be responsible for the relevant clinical trial and registration matters for the Cooperation Product for the treatment of COVID-19 therein.

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*Cooperation Fee and  
Payment  
Arrangement*

No later than five business days after the execution of the Fosun Pharma Agreement, Fosun Pharmaceutical Industrial shall pay RMB100 million to Henan Genuine, which is a precondition for the parties to carry out due diligence and subsequent cooperation as set forth in the Fosun Pharma Agreement.

In relation to the cooperation within Region I, Fosun Pharmaceutical Industrial shall pay Henan Genuine RMB399.5 million within seven business days after completion and satisfaction of prerequisite due diligence and evaluation by Fosun Pharmaceutical Industrial as set forth in the Fosun Pharma Agreement.

Fosun Pharmaceutical Industrial will further evaluate the suitability of cooperation in Region II through agreed-upon due diligence and evaluation and decide whether to enter into a supplemental agreement for such cooperation. Fosun Pharmaceutical Industrial shall, within ten business days after such supplemental agreement (if applicable) becomes effective, pay Henan Genuine RMB300 million for Region II.

*Development Costs*

Region I:

– Treatment of COVID-19

The parties agree that for the COVID-19 treatment, the R&D costs of the Cooperation Product with respect to preclinical studies, manufacturing and quality research in Region I shall be borne by Henan Genuine, while Fosun Pharmaceutical Industrial shall be responsible for the costs related to any post-approval clinical studies the NMPA may require after the conditional approval for the treatment of COVID-19.

– Prevention of COVID-19

The parties agree that for the prospective clinical studies to be conducted for the prevention of COVID-19, Fosun Pharmaceutical Industrial and Henan Genuine shall share the relevant clinical research costs on a 60%:40% basis, provided that such clinical studies have been confirmed by the joint management committee and the proposal of which has been approved by the relevant regulatory authorities.

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– Treatment of HIV infection

Henan Genuine shall be responsible for the costs related to the Phase III clinical trial of azvudine as required by the NMPA after the conditional approval for the treatment of HIV infection.

Region II:

If the parties enter into a supplemental agreement for cooperation in Region II for the treatment of COVID-19, Fosun Pharmaceutical Industrial shall be responsible for the costs related to the preclinical pharmacology and toxicology studies, as well as the clinical trials and registration matters, with the costs of the other preclinical studies to be determined by the parties.

*Commercialization  
Costs*

The commercialization costs of the Cooperation Product in the Cooperation Regions for the Cooperation Scope of Indications will be borne by Fosun Pharmaceutical Industrial.

*Profit Sharing*

The parties agree that the gross profits generated from sales of the Cooperation Product in Region I shall be shared by Fosun Pharmaceutical Industrial and Henan Genuine on a 50%:50% or 55%:45% basis, depending on the distribution channels.

The parties further agree that the gross profits generated from sales of the Cooperation Product in Region II shall also be shared by Fosun Pharmaceutical Industrial and Henan Genuine, with the detailed sharing method and proportion to be further agreed by the parties in supplemental agreements.

*Intellectual and  
Proprietary Rights*

Henan Genuine grants an exclusive license to Fosun Pharmaceutical Industrial to use its IP rights with respect to the Cooperation Product, including, but not limited to, patents and proprietary technologies, for the latter to conduct development and commercialization activities for the Cooperation Scope of Indications in Cooperation Regions. The parties agree that within Cooperation Regions, any regulatory approvals for conducting clinical trials and manufacturing of the Cooperation Product for the COVID-19 indications and any patent arising therein shall belong to Henan Genuine.

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Henan Genuine shall own full rights in any inventions, patents and any other associated IP rights (whether or not such right is patentable) that are envisioned, discovered, developed or otherwise created jointly by the parties and/or their affiliates under the Fosun Pharma Agreements. Fosun Pharmaceutical Industrial is authorized to use such rights at no cost pursuant to the Fosun Pharma Agreements.

*Manufacturing and  
Supply of  
Cooperation Product*

In relation to the cooperation within Region I, Henan Genuine shall be responsible for the manufacturing of the Cooperation Product with a sufficient production capacity to meet the needs of Fosun Pharmaceutical Industrial in Region I.

In relation to the cooperation within Region II, Henan Genuine shall, under the same conditions, firstly engage Fosun Pharmaceutical Industrial to manufacture by its manufacturing facilities which have passed the local regulatory authorities' on-site inspection and supply of the Cooperation Product under the same conditions and provide Fosun Pharmaceutical Industrial raw ingredients for its production needs.

Henan Genuine shall make commercially reasonable efforts in reducing the manufacturing costs of the Cooperation Product. Henan Genuine shall be responsible for any additional costs if the actual supply price exceeds the supply price range as stipulated in the Fosun Pharma Agreement.

*Priority Cooperation  
Right*

In respect of the Excluded Product and other indications of the Cooperation Product outside the Cooperation Scope of Indications, if Henan Genuine seeks external collaboration on such matters, Fosun Pharmaceutical Industrial shall have the priority cooperation right under the same conditions.

*Term*

The Fosun Pharma Agreements shall be effective from the date of execution by the parties and does not have a fixed term. It may be terminated by mutual agreement of the parties or other termination events as stipulated in the Fosun Pharma Agreements.

\* As of the Latest Practicable Date, the NMPA had not imposed any additional post-approval clinical study requirement on the Company.

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After azvudine was approved for the treatment of HIV infection and COVID-19 in China, we selected Fosun Pharmaceutical Industrial to be our commercialization partner in China and potentially Region II mainly considering its comprehensive industrial chain integration capabilities and global business experience that could help us quickly expand the market and promote product sales, which is in line with the industry practice, according to Frost & Sullivan.

Furthermore, we believe it is prudent to collaborate with a large pharmaceutical company like Fosun Pharmaceutical Industrial to ensure a successful commercial launch of azvudine for the treatment of both COVID-19 and HIV infection in China at the moment because (i) its established sales network and extensive commercialization experience would enable us to quickly commence large-scale sales of azvudine and respond to the urgent demand for azvudine for the treatment of COVID-19 in a timely manner; (ii) COVID-19 and HIV are both viral infections posing significant socioeconomic burden on the public, which makes it industry practice to collaborate with large pharmaceutical companies capable of organizing large-scale sales nationally to ensure smooth distribution; and (iii) it is cost-effective and administratively efficient to work with the same partner for the sales of azvudine for both indications since HIV and COVID-19 drugs overlap significantly in their distribution channels, *i.e.*, specialty hospitals specialized in infectious diseases and the department of infectious diseases in general hospitals and need to go through similar admission procedures in each province, according to Frost & Sullivan. We believe our collaboration with Fosun Pharmaceutical Industrial is win-win for both parties and improves the probability of successful commercialization of azvudine.

### ***Return and Exchange Arrangement in 2023***

In November 2023, in light of the COVID-19 drug market condition, we and Fosun Pharmaceutical Industrial began discussions to reach a return and exchange arrangement of near-expiry azvudine tablets. We and Fosun Pharmaceutical Industrial each issued an azvudine sales confirmation memorandum to the other party to reflect such return and exchange arrangement between the parties thereafter, see “Financial Information—Discussion of Certain Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Revenue” for details.

### ***Termination of Collaboration and Commercial Rationale***

On September 26, 2024, we entered into the Amendment Agreement with Fosun Pharmaceutical Industrial after amicable negotiations. The collaboration between us and Fosun Pharmaceutical Industrial under the Fosun Pharma Agreements was initially established during a period of urgent need for COVID-19 treatments, allowing us to leverage Fosun Pharmaceutical Industrial’s extensive sales network and experience for a successful market entry. The Amendment Agreement outlines an updated arrangement for the collaboration in Region I (the “**Updated Commercialization Arrangement**”), under which, among other things, (i) we have regained the exclusive commercialization rights and other rights granted to Fosun Pharmaceutical Industrial in Region I (*i.e.* mainland China). As a result, we have become



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the sole owner of the commercialization right of azvudine in Region I, while we are no longer obligated to manufacture azvudine and ensure sufficient product supply; (ii) Fosun Pharmaceutical Industrial no longer possesses the right to use any clinical trial information, technologies or IP rights relating to azvudine, and neither party has any obligation to share data in this regard; (iii) Fosun Pharmaceutical Industrial is no longer obligated to carry out the research and development of clinical studies on the azvudine; (iv) Fosun Pharmaceutical Industrial no longer has the pre-emptive right to collaborate with us regarding the joint development and commercialization of the azvudine in Region I for other indications or combination therapy for the treatment of HIV infections; and (v) all other rights and obligations of the parties under the Fosun Pharma Agreements have been terminated unless otherwise agreed. This strategic shift reflects the evolving market conditions and our commitment to fully control the commercialization process for azvudine, aligning with our broader focus on antiviral drug development. In addition, under the Updated Commercialization Arrangement, we have agreed to pay Fosun Pharmaceutical Industrial (i) an upfront fixed payment of RMB60 million, and (ii) a subsequent sales-based payment, calculated as 10% of our net sales of azvudine for the treatment and prevention of COVID-19 and HIV infections generated in Region I within a period of five years subsequent to the effective date of the Amendment Agreement, as the consideration for Fosun Pharmaceutical Industrial’s investments and expenditures incurred for the historical collaboration. In terms of azvudine already sold to distributors as of the date of the Amendment Agreement, Fosun Pharmaceutical Industrial and us have agreed to share the profits at ratios as stipulated in the Amendment Agreement. As of the Latest Practicable Date, we had completed the handover of tier-1 distributors and inventories.

With our independent R&D capability and exclusive R&D rights over azvudine during the Track Record Period regardless of our collaboration with Fosun Pharmaceutical Industrial and except for certain R&D responsibilities (namely registration, clinical trials, and clinical application) we granted to Beijing Union and third party agents in certain regions as mentioned above, we have effectively and independently realized the advancements of clinical stages of azvudine for different indications, especially expanded indications including blood cancers and solid tumors, which are evidenced by positive feedbacks from the NMPA. See “—Our Product Portfolio” in this section for details.

In addition to the licensing and collaborations mentioned above, we constantly explore opportunities to collaborate with leading universities and research institutions in China to supplement our own R&D capabilities and support our drug development projects.

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### RESEARCH & DEVELOPMENT

We are an innovative R&D-driven biotech company. We believe that R&D is crucial to our business growth and the success of our operations. For each drug candidate, we typically form a project team in charge of the whole development progress and managing the daily R&D work. The drug discovery process generally includes target identification, validation, hit identification, hit to lead and lead optimization, followed by preclinical and clinical studies to evaluate and confirm the functions, safety and efficacy of each drug candidate. We have established or are establishing various integrated R&D platforms to support our drug development from drug discovery to clinical trials. Our R&D activities have laid a solid foundation for future manufacturing and commercialization of our drug candidates.

#### **In-house R&D Activities**

We have an in-house R&D management team composed of senior experts in the field of international drug research and development. Dr. Du Jinfa (杜錦發), the chairman of our Board, executive Director, chief executive officer, chief scientific officer of our Company, recognized as “State Specially Recruited Experts (國家特聘專家)” by the PRC government, was one of the inventors of sofosbuvir, drug for treating hepatitis C which won the 2014 Prix Galien Award. *Cell* has commented that sofosbuvir is one of the most significant public health accomplishments of our generation. Our senior management personnel, such as Dr. Dang Qun, Dr. Luo Feng, Dr. Guo Chang Yue and Dr. Li Pan, all have served in internationally-renowned biomedical companies and has an average of nearly 30 years of extensive experience in the fields of innovative drug research and development, translational medicine, and clinical trial management, which has laid a solid foundation for our continuous innovation and global competitiveness in the field of biomedicine. For more details on the expertise and experience of our senior management, please see “Directors and Senior Management”. Leveraging our extensive experience in drug research and development, we have established a comprehensive research and development platform, including a highly selective novel nucleoside broad-spectrum anti-tumor drug R&D platform, a TOPO1 inhibitor and XDC drug R&D platform, a drug target discovery and validation platform, and an innovative drug design and optimization platform. These platforms cover the entire drug development process, from early target screening to preclinical research, to clinical trials and subsequent optimization, providing strong technical support and systematic safeguards to accelerate the discovery and development of innovative drugs.

As of the Latest Practicable Date, our in-house R&D team consisted of 79 members with experience in the biotech and pharmaceutical industries. We have adopted standard operating procedures that govern each stage of our drug development process.

#### **Our Platforms**

To support our internal R&D activities, we have established multiple R&D platforms, including (i) a highly selective novel nucleoside broad-spectrum anti-tumor drug R&D platform, (ii) a TOPO1 inhibitor and XDC drug R&D platform, (iii) a drug target discovery and validation platform, and (iv) an innovative drug design and optimization platform.

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### *Highly selective novel nucleoside broad-spectrum anti-tumor drug research and development platform*

Ever since gemcitabine and capecitabine’s approval in the late 1990s, no new nucleoside anticancer drugs have been discovered in the past 30 years. Our Core Product, azvudine, has a dual anti-tumor mechanism of action by inhibiting DNA synthesis in tumor cells and improving immunity through immunomodulation, thereby further enhancing its anti-tumor effect. Since nucleoside drugs have different mechanisms of action compared with non-nucleoside chemotherapy drugs and various targeted drugs, combination therapy of azvudine with numerous non-nucleoside chemotherapy drugs or targeted drugs may produce synergistic effects. In our preclinical animal studies, we observed that azvudine upregulated CD4+ T cells, CD8+ T cells, and NK cells in the tumor microenvironment by downregulating MDSC expression. Based on this observation, we have established a platform focused on the discovery of other highly selective novel nucleoside broad-spectrum anti-tumor drugs, on which we will design and synthesize a series of novel nucleosides and evaluate their activity inhibiting the replication of tumor cell and reducing expression of MDSC. These inhibitors are designed to block the recruitment, differentiation, activation or function of MDSC, reduce their inhibitory effects on immune cells, and restore the body’s normal immune surveillance and anti-tumor immune function. We will also explore the combination therapies with the novel nucleosides developed from platform with other targeted therapies or immunomodulatory drugs or chemotherapies to improve clinical benefits. Through combined use, not only can the immunosuppressive activity of MDSC be directly inhibited, but the anti-tumor effect of other treatments can also be enhanced, reducing the risk of tumor recurrence and prolonging patient survival.

### *TOPO1 inhibitors and XDC drug development platform*

Over the past few decades, the most widely used TOPO1 inhibitor has been irinotecan, a camptothecin derivative, which has become the backbone of various anti-tumor combination therapies. Camptothecin and its derivatives, such as irinotecan, have been used as standard chemotherapeutic agents for more than 60 years. However, the improvement of camptothecin-based drugs has been challenging and thus focused on modifying the side chains of their parent nucleus without changing the five-ring planar structure of the core. As such, the existing drugs mostly share the same type of core structure. Camptothecin-based drugs face the problems of primary and post-treatment drug resistance, which is a shared challenge faced by the industry. Through AI-computer-aided design and by changing the structure of the parent nucleus, we have discovered hundreds of novel TOPO1 inhibitor molecules with new structures within the ZS-1003 project, and have discovered multiple candidate compounds with the properties of a new generation of payloads. Our TOPO1 inhibitor R&D platform can establish extensive external collaborations (such as out-licensing payloads rights, joint XDC drug discovery projects, etc.), thereby effectively developing many new tumor treatment drug candidates. In particular, it was found that ZSSW-136 not only has a stronger inhibitory effect on primary TOPO1, but also has an inhibitory activity of 400 times that of irinotecan resistant tumors. Based on this, we are developing key components of conjugate drugs such as ADC, PDC, SMDC, etc. on this platform. We will develop a series of innovative drugs through the XDC platform, especially a series of effective drugs for existing TOPO1 inhibitors and their ADCs and other drug-resistant tumors, providing new solutions for unmet medical needs.

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### *Drug target discovery and validation platform*

We have constructed dozens of *in vitro* cell line models, covering a variety of solid tumors and blood cancer. These cell line models have been strictly screened and identified, with a stable genetic background and distinct immune phenotype characteristics, which can highly simulate the complex biological behavior of tumor cells *in vivo*, and provide rich and reliable experimental materials for studying tumor immune escape mechanisms, evaluating drug target activity, and screening potential therapeutic drugs. At the same time, we have also established a set of *in vivo* model systems, including dozens of cell-derived xenograft (CDX) models, human tumor xenograft (PDX) models, and Syngeneic models. The CDX model can quickly evaluate the anti-tumor effect of drugs *in vivo* by transplanting tumor cell lines into immunodeficient mice; the PDX model uses patient-derived tumor tissue transplantation to better preserve the heterogeneity and microenvironment characteristics of the tumor; the Syngeneic model uses a syngeneic mouse tumor model with a complete immune system, which can more realistically reflect the interaction between the tumor and the body’s immune system, and provides an important tool for studying the efficacy and mechanism of immunotherapy drugs.

### *Innovative drug design and optimization platform*

Based on the in-depth understanding of the target structure and function, computer-aided drug design technology is used, combined with virtual screening, molecular docking and molecular dynamics simulation methods, to design lead compounds with high activity, high selectivity and good pharmacokinetic properties. By structurally modifying and optimizing the lead compounds, the binding affinity, stability and specificity with the target are continuously improved, the potential toxic side effects are reduced, and the druggability of the drug is improved. A complete drug activity evaluation system is established with stages including *in vitro* enzyme activity determination, cell-level functional experiments, *in vivo* efficacy evaluation of animal models, and pharmacokinetic and safety evaluation. Through systematic experimental research and data analysis, candidate drugs with clinical application potential are quickly screened, and in-depth mechanism research and preclinical development are carried out on them.

### **Outsourced R&D Activities**

In line with common industry practice, we typically engage CROs to conduct preclinical studies and then collaborate with physicians in local hospitals to conduct clinical trials, which are done primarily by engaging NMPA-certified clinical centers and CROs who meet our requirements. We select our CROs based on various factors, including their GCP certificates, clinical trial experience, professional experience of their team members and proposed budgets. Our clinical trial management team is responsible for managing the overall clinical trial process for our drug candidates, making key decisions regarding the overall development direction and overseeing CROs’ work. The involvement and roles of CROs in the development of novel molecule drug candidates are typically standardized and similar among different projects. The work scope of these third parties in the development of our drug candidates may

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have slight variation, subject to our overall management and instructions. The CROs we engaged are primarily responsible for preparing clinical trial plans, reviewing the clinical trial data, handling and managing transactional matters at the trial sites and performing other supporting duties in relation to our clinical trials. We review plans related to clinical trials proposed by CROs and provide our feedback to CROs on these draft plans. After revisions, we approve the final plans to be used for the clinical trials. We hold regular progress meetings with our CROs to ensure that the trials are on track. We review documentations prepared by our CROs and follow up with them if we have any questions on the documentation. Our CROs are also required to fully cooperate with our monitoring and inspection activities and rectify any issue identified during such inspections.

Key terms of the agreement with our CROs are summarized as follows:

- *Service.* The CROs provide clinical trial services, including project management, investigative site management, monitoring, data management and lab services for clinical studies.
- *Term.* The CROs are required to complete relevant clinical trial projects set out in the agreement within the prescribed time limit.
- *Payment.* We are required to make either full payment or payments in installments according to the prescribed payment schedule.
- *Intellectual property rights.* All intellectual property rights arising from the clinical trial process for our drug candidates belong to us. The CROs are required to maintain confidentiality as agreed.
- *Regulatory compliance.* We require our CROs to comply with all laws, regulations and mandatory industry standards.

For the years ended December 31, 2023 and 2024, we engaged 15 and 19 CROs, respectively, to assist the R&D of our drug candidates. All the CROs engaged during the Track Record Period are Independent Third Parties. The service fees we paid to our CROs during the Track Record Period were determined on a case-by-case basis with regard to the scale of the relevant clinical trials (primarily depending on the number of enrolled patients, trial sites and follow-up visits) and the service scope.

## REGULATORY REGISTRATION

After successful completion of a registrational clinical trial, we apply for approval from the NMPA or other relevant authorities to register our drug candidates. For each drug candidate, we are required to file the registration application in accordance with the relevant registration regulations. The registration process may be time-consuming, and we believe our employees' extensive experience in managing the registration process will be critical for our commercial success.

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### COMMERCIALIZATION

We have formulated detailed commercialization strategies for our commercialized product, azvudine, and our drug candidates. We have also formed, and will continue to expand, our own commercialization team to fully realize the value of our products.

#### Commercialization Strategies

We have adopted an on-line/off-line omni-channel and strategic academic sales model to promote and distribute our products, including azvudine, which is already commercialized, as well as future products to be launched in the market. We will quickly establish an integrated commercialization system. Through marketing, market access, digital marketing, medical value exploration, direct-sales, recruitment of distributors and commercial excellence, we will continue to deliver accurate and up-to-date academic information with clinical value to the market to promote our products.

#### Commercialization Team

Talents are the cornerstone of our commercialization development. We have established a professional and well-functioning commercialization team, consisting of 33 members as of the Last Practicable Date, for the commercialization of azvudine, and for laying a good foundation for the commercialization of the our drug candidates to be launched in the market.

The key functions of our commercialization team include: formulating annual business plan of our products based on, among others, feedbacks from the market and customers, information of competing products and our sales team; establishing and maintaining a communication matrix for dissemination of product information to the market, especially to physicians and patients; collecting, analyzing and processing data from commercialization activities, identifying potential opportunities and issues and providing feasible proposals and solutions to improve the performance of commercialization team overall; recruiting and managing CSOs; direct sales in key provinces and cities; and development and maintenance of on-line and off-line distributors.

With the growth of our business, we expect to expand the commercialization team to approximately 100 personnel within two years to support our product promotion in medical institutions in China.

#### Business management system

In developing our business management system, we have focused on the following core dimensions to ensure the efficient operation and sustainable growth of the Company:

- **Distributor development:** We have formulated a comprehensive and attractive policy to develop distributors, aiming to attract high-quality business partners to join our distribution network. This includes the provision of, among other things, in-depth market analysis, product training and marketing support to help the partners commence their business quickly and achieve a win-win situation. In addition, we have also established a rigorous partner screening mechanism to ensure the quality and stability of our distributor development channels; and



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- Compliance management: Our compliance management features three aspects, namely training, inspection and review.

In summary, our business management system has laid a solid foundation for the steady development of the enterprise through refined management and innovative strategies.

### **Marketing Management System**

In developing our marketing system, we have followed a rigorous and innovative set of dimensions designed to ensure the efficiency, compliance and continuous growth of corporate marketing activities. The following are the core components of our marketing system:

- Compliance criteria: We have established strict compliance criteria to ensure that all marketing activities comply with relevant laws, regulations and industry norms. Such relevant laws, regulations, and norms include, but are not limited to, the Advertising Law, the Consumer Rights Protection Law and the Data Security Law. The compliance criteria ensure that our marketing activities are not only legal and compliant, but also win the trust of our customers and the community.
- Promotion criteria: We have established clear promotion criteria to guide the design and execution of our marketing campaigns. These criteria emphasize the precise positioning of target markets, deepen the understanding of customers’ needs and demonstrate our differentiated competitive advantages to ensure that promotional activities are able to effectively attract potential customers and enhance brand awareness.

In conclusion, our marketing system has provided a strong assurance for the steady development of our enterprise through rigorous compliance, innovative and effective management strategies.

### **Offline Distributor Management System**

As we undergo the in-depth market-mapping and rapid expansion of azvudine in the Chinese market, we are acutely aware of the strategic importance of the distributor network. At present, we have covered more than 50,000 medical institutions in 31 provinces and municipalities across the country, serving not only as a bridge between the products and the market, but also as the cornerstone of achieving broad market coverage and efficient supply. In order to achieve long-term development of distributors, we have established a set of efficient tier 1 distributor development and management mechanisms.



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### *Distributor development strategy*

Under the principle of “selecting and cooperating to create a win-win situation”, we have actively sought and engaged a group of distributors with strong distribution capabilities, profound industrial resources and excellent service quality. Through a rigorous qualification review, process market research and a comprehensive assessment, we have ensured that each of our distributors has the capability and potential to accurately deliver azvudine to various medical terminals. This selection of strategic partners not only accelerates our nationwide market penetration, but also provides a solid backing for a wide range of product applications.

### *Distributor management system*

To ensure the efficient operation and compliance management of our distributor network, we have established a comprehensive management system. Through signing a detailed cooperation agreement, we have clearly defined the rights and obligations of both parties, including key terms such as sales targets, market strategies, inventory management and after-sales service, which has laid a solid foundation for long-term cooperation. At the same time, we have set up a dedicated distributor management team to communicate and provide trainings to distributors on a regular basis to enhance their business capabilities and compliance awareness.

Meanwhile, based on the updated strategies, we and Fosun Pharmaceutical entered into an amended agreement in September 2024 to terminate the former license of commercialization right of azvudine in China. See “—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreements” for details. The termination of collaboration clearly reflects that we have recovered the exclusive commercialization right of azvudine in mainland China from Fosun Pharmaceutical Industrial. As of the date of this agreement, we had successfully entered into agreements with 49 offline distributors, which greatly ensured the accessibility of our products in the market.

Based on such a set of scientific and efficient distributor development and management mechanism, azvudine has been able to continue to cover an enough number of medical institutions in the Chinese market, laying a solid foundation for sustainable sales and steady increase in market share of the product. Looking forward, we will continue to optimize this system and deepen the cooperation with distributors to jointly create a broader market space and provide Chinese and global patients with more convenient medical and healthcare services with a higher quality.

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### **Online Distributor Management System**

The sales of pharmaceutical products on e-commerce platforms in China are advantageous in many aspects including convenience, price transparency, quality service and policy support. These advantages promote the rapid development of the pharmaceutical e-commerce industry and provide consumers with a more convenient, efficient and safe pharmaceutical shopping experience. In such an open, high-potential and competitive online market environment of China, we recognize the key role of an online distributor network in driving sales growth and enhancing brand awareness of azvudine. As an integral part of our core strategy, online marketing is leading our transformation to digital and intelligent marketing.

#### ***E-commerce development strategy***

Leveraging our keen insight and deep understanding of market trends, we focus on in-depth layout and strategy development of top e-commerce platforms in China. Our e-commerce team sports in-depth industry knowledge and practical experience, and excels in innovative thinking and forward-looking vision, enabling us to accurately capture market opportunities and quickly respond to consumer needs. Through careful planning and active communication, we have successfully entered into cooperation arrangements with several leading e-commerce platforms in China to jointly establish an online sales channel for azvudine and have successfully achieved sales. These platforms have a large user base and an efficient logistics system, while possessing accumulated and extensive influence in the medical and healthcare field, providing a broad space of visibility and convenient shopping channels for our products.

#### ***E-commerce management system***

To ensure the healthy operation and efficient synergy of our online channels, we have established an efficient management system. Through signing a detailed cooperation agreement, we have clarified the cooperation scope, sales targets, marketing strategies and after-sales service standards for both parties, which has laid a solid foundation for long-term cooperation.

Looking forward, we will continue deepening our cooperation with various major e-commerce platforms, optimizing our online networks continuously and explore more innovative marketing models, so as to provide consumers in the market of China with more convenient, efficient and high-quality medical and healthcare services, so as to jointly promote online sales of azvudine and future products to be launched in the market reaching new heights.

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### *Distribution Agreements*

We typically enter into distribution agreements which are sales and purchase agreements in nature. The salient terms typically include the name, quantity and price of the product to be distributed, location of delivery, payment arrangements, and other terms as agreed upon by the parties. We believe that the agreements are fair and in-line with common practices of the industry. We generally do not accept returns of products from sales to distributors, except for particular circumstances as agreed with the distributors, such as where the products have a shorter durability period than agreed and product quality defects. Up to the Latest Practicable Date, we did not record any products returned from our distributors.

### **CSO Management System**

In constructing and expanding our marketing ecosystem, the introduction and management of contract sales organizations (CSOs) play a crucial role. We are well-aware that an efficient and professional CSO management system is a key factor to ensure accurate implementation of market strategies and enhancement of brand influence and market share. Therefore, we have established a set of comprehensive and scientific CSO management system, aiming at recruiting and nurturing a professional team who have deep understanding of market demand and implement market strategies efficiently.

### *Assessment and recruitment of high-quality promotion service providers*

We have formulated strict CSO evaluation and recruitment criteria to ensure that each partner has excellent professional capabilities, extensive market experience and good reputation in the industry. Through considering multiple aspects, including but not limited to past performance, team strength, market insight and compliance performance, we have carefully selected high-quality CSOs that can grow together with us. In addition, we have also established a long-term partnership evaluation mechanism to regularly review and adjust our cooperation strategies to ensure that the CSO team remains highly aligned with our market goals.

### *Implementation of market strategies*

To ensure the effective implementation of our market strategies, we work closely with our CSO team to formulate detailed marketing plans and the implementation plans. Through regular meetings, strategy seminars and implementation feedback mechanism, we ensure that the market strategies will be accurately communicated to the CSO team, and continuously optimized and adjusted in actual implementation. Meanwhile, we use advanced digital tools and data analysis technologies to conduct real-time monitoring and result evaluation of marketing activities, aiming at ensuring that every cent of investment will be able to bring maximum market returns.

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### *Training for personnel of promotion service providers*

We are acutely aware that the professional ability and service quality of the CSO team are directly related to the effectiveness of marketing. Therefore, we have established a comprehensive training system for CSO personnels, which covers various aspects, including market trend analysis, popularization of product knowledge, improvement of sales skills and compliance education. Through a combination of online and offline training methods, we continue to improve the professionalism and service quality of our CSO team to ensure that they can face market challenges with the most professional attitude and provide customers with excellent service experience.

### **Pricing**

With regard to the intensive competition in the pharmaceutical industry, we are fully aware that product price management is not only a reflection of corporate profitability, but also an integrated demonstration of social responsibility and patient well-being. The price of our product is most favorable among similar products to ensure that patients may access high-quality medical service at a reasonable price. In this context, our Core Product, azvudine tablets, has achieved remarkable results in terms of price management and market positioning.

In April 2023, azvudine was officially included in the NRDL, providing a more economical and effective treatment option for patients. After entering the China Healthcare Security (“CHS”) system, we are fully aware of the importance of maintaining product price stability. During the 2024 NRDL negotiations, leveraging its superior product quality and proactive market strategies, azvudine successfully remained included in the NRDL with the coverage and price paid for our products unchanged. This achievement not only demonstrates our in-depth understanding and positive response to the national health insurance policy, but also demonstrates our prudent and forward-looking pricing management. Through stable payment scope and prices, we ensure that patients can continue to receive high-quality treatment options at reasonable costs, thereby improving patients’ medication compliance and treatment outcomes.

More importantly, according to the terms of the NRDL negotiations, products with unchanged payment scope and payment price during two consecutive negotiation periods will be included in the routine catalogue of the NRDL. This policy arrangement provides a solid assurance for the future price stability of our products. Compared with our competing products in the same therapeutic area, the price of our products paid by the CHS has a significant advantage in the market, which not only reduces the cost of the state but also greatly improves the accessibility of drugs for patients, making them more affordable and available to more people who can benefit from this innovative therapy. Going forward, we will continue to uphold our “patient-centric” value and optimize our product price management strategy.

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### Global market expansion

As a major medical challenge after the COVID-19 pandemic, long COVID is attracting increasing attention from the global medical community. With respect to the broader global market, we have communicated with prospective partners to discuss the introduction of azvudine into the field of global long COVID therapy to provide patients with a new treatment option. We hope that through cooperation with the world’s leading medical institutions, azvudine and our other drug candidates can enter the international market sooner, bringing good news to patients around the world.

### INHOUSE MANUFACTURING

Efficient and stable production and supply capabilities are critical to ensuring sustainable development and market competitiveness of enterprises. We have built a complete industrial chain from raw material procurement to output of finished product, fully demonstrating our production and supply capabilities and laying a solid foundation for our long-term stable growth.

As the core of our pharmaceutical business, our inhouse manufacturing facilities are equipped with industry-leading manufacturing equipment and technologies, which comprehensively cover the entire manufacturing cycle, including granulation, drying, mixing, tablet compressing, primary packaging, secondary packaging and quality inspection. This all-round and integrated production capacity ensures the stability and consistency of product quality, greatly improves production efficiency and shortens the product launch cycle. Our annual production capacity is approximately three billion tablets, which not only satisfies the current market demand, but also reserves sufficient space for future market expansion.

In terms of quality control, our production base follows the relevant laws and regulations and standards of the NMPA, and has successfully passed the GMP compliance inspection for pharmaceutical products in May 2022. This certification is not only a high recognition of our production process and product quality, but also a firm guarantee for our continuous commitment to improving production management standards and ensuring the safety of patients’ medication. We will continue to optimize our production process and improve our management level, so as to make more contributions to the sustainable and healthy development of the pharmaceutical industry.

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### CONTRACT MANUFACTURING

During the Track Record Period, we engaged seven drug manufacturers (“CMOs”) in China, all of which are Independent Third Parties, to manufacture azvudine, which engagement remained in effect as of the Latest Practicable Date. For risks related to scaling up our manufacturing capabilities, see “Risk Factors—Risks Relating to the Manufacturing and Commercialization of Our Products” in this document.

Under our manufacturing framework agreement with our CMOs, we purchase the API for azvudine and provide formulation, technology and other documentation to them as required for manufacturing. Our CMOs are primarily responsible for manufacturing azvudine in finished dosage form pursuant to such formulation and technology as well as GMP certification requirements. Under the agreement, we are the sole owner of any proprietary rights to azvudine, including the right to market and sell azvudine after obtaining the NMPA approval.

We have also adopted procedures to ensure that the production qualifications, facilities and processes of our CMOs comply with applicable regulatory requirements and our internal guidelines. For example, we ensure that our CMOs have the requisite qualifications to carry out the manufacturing activities and our CMOs shall make appropriate adjustments with respect to any particular issue identified. During the Track Record Period, we did not experience any product quality issues with respect to azvudine manufactured by our CMOs.

### SUPPLIERS

Our suppliers primarily include raw material suppliers, research and development service providers and owners of our rental properties. For the years ended December 31, 2023 and 2024, our purchases from our five largest suppliers were RMB491.1 million and RMB84.5 million, respectively, accounting for approximately 58.7% and 40.1%, respectively, of our total purchases for the respective period. In the same periods, purchases from our largest supplier were RMB320.7 million and RMB40.8 million, respectively, accounting for approximately 38.3% and 19.4%, respectively, of our total purchases for the respective period. All of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest suppliers that are required to be disclosed under the Listing Rules.

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The tables below summarize the purchases from our five largest suppliers for the periods indicated:

<u>Five Largest Suppliers in 2023</u>	<u>Country/Region</u>	<u>Supplier Background</u>	<u>Lengths of Business Relationship</u>	<u>Purchases</u>	<u>Purchase Amount</u> <i>RMB'000</i>	<u>Percentages of Total Purchases</u> %
Supplier A	PRC	Pharmaceutical company	2019 to present	Raw materials	320,713	38.3
Supplier B	PRC	Pharmaceutical company	2023 to present	Raw materials	60,424	7.2
Supplier C	PRC	Pharmaceutical company	2023 to present	Raw materials	43,350	5.2
Supplier D	PRC	CRO	2014 to present	R&D services	33,560	4.0
Supplier E	PRC	Public University	2019 to present	R&D services	33,019	4.0

<u>Five Largest Suppliers in 2024</u>	<u>Country/Region</u>	<u>Supplier Background</u>	<u>Lengths of Business Relationship</u>	<u>Purchases</u>	<u>Purchase Amount</u> <i>RMB'000</i>	<u>Percentage of Total Purchases</u> %
Supplier E	PRC	Public University	2019 to present	R&D services	40,777	19.4
Supplier F	PRC	CRO	2023 to present	R&D services	24,430	11.6
Supplier D	PRC	CRO	2014 to present	R&D services	9,108	4.3
Hainan Giantstar Technology Group Co., Ltd. (海南星捷安科技集團股份有限公司)	PRC	CRO	2023 to present	R&D services	5,660	2.7
Supplier G	PRC	CRO	2023 to present	R&D services	4,484	2.1

Our five largest suppliers generally grant us credit terms ranging from 5 days to 90 days, and payment to our suppliers are typically settled by wire transfer.



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### CUSTOMERS

During the Track Record Period, we primarily sold azvudine to Fosun Pharmaceutical Industrial in accordance with the Fosun Pharma Agreements after azvudine was approved for marketing in China. Our collaboration with Fosun Pharmaceutical Industrial began in 2022. In 2023, we only had one customer, namely Fosun Pharmaceutical Industrial, and our aggregate sales to Fosun Pharmaceutical Industrial in 2023 were RMB344.2 million. In 2024, our five largest customers accounted for 99.6% of our total revenue, among which Fosun Pharmaceutical Industrial accounted for 99.2% with an aggregate sales of RMB235.9 million. Other than Fosun Pharmaceutical Industrial, our other five largest customers in 2024, being our distributors primarily engaged in sales of pharmaceutical products, in aggregate contributed to approximately 0.4% of our total revenue or approximately RMB1.0 million in sales, and individually, accounted for not more than 0.2% of our total revenue or not more than RMB0.5 million in sales. Considering the evolving market conditions and in the best interest of both parties, we entered into the Amendment Agreement with Fosun Pharmaceutical Industrial in September 2024, regaining the commercialization right under the Fosun Pharma Agreements. See “—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreement” for details. Starting from 2025, we will no longer recognize any revenue from Fosun Pharmaceutical Industrial under the Fosun Pharma Agreements. We had entered into distribution agreements with 53 distributors, who are our customers, as of the Latest Practicable Date, and we expect our revenue in 2025 will primarily attributable to our sales to our distributors. None of our Directors or their associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than five percent of our issued share capital, have any interest in any of our customers during the Track Record Period. None of our major customers during the Track Record Period is also a supplier or vice versa.

### QUALITY MANAGEMENT

We have adopted a series of quality assurance procedures to manage our sourcing from suppliers and in-house operations. We have standard operating procedures in respect of the transfer of materials and the training of personnel, among other things. We review relevant documentation provided by our suppliers, inspect the quality of raw materials and conduct regular audits to monitor each manufacturing process to ensure they satisfy our quality standards and requirements. We have also strictly followed and implemented the GMP standards since we commenced the commercialization of azvudine.

### INVENTORY MANAGEMENT

After we began in-house manufacturing activities in 2022, our inventories mainly consist of raw materials and finished goods. We have built one warehouse in Pingdingshan to store our materials and products under common storage conditions. We have established an inventory management system for our in-house manufacturing activities, including the implementation of temperature and humidity monitoring, CCTV monitoring and a fire alarm system, to achieve effective inventory management. We also use the ERP system to manage the delivery, receipt and storage of our drug products and have developed a monthly inventory check system to conduct regular reviews of our inventories.

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### INTELLECTUAL PROPERTY

Intellectual property rights are important to our success. Our future commercial success depends in part on our ability to obtain and maintain patent and other intellectual property and proprietary protections for our compounds, technologies, inventions and improvements related to our drug candidates, as well as on our ability to defend and enforce our intellectual property rights including any patent that we have or may obtain in the future. As of the Latest Practicable Date, we held 21 patents in China. As of the same date, we also had 16 patents and 51 patent applications pending overseas. In addition, as of the Latest Practicable Date, we held 39 trademarks in mainland China and Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material proceedings in respect of, and we had not received notice of any material claims of infringement of, any intellectual property rights that are threatened or pending, in which we may be a claimant or a respondent. For further details, please refer to Appendix IV to this document.

The table below lists the material patents and patent applications as of the Latest Practicable Date:

Patent Name	Corresponding Product/ Indication	Patent Type	Registration/ Application No.	Owner/ Applicant	Status	Validity Term	Jurisdiction
CRYSTAL FORM A OF 2'-FLUORO-4'-SUBSTITUTED NUCLEOSIDE ANALOG I AND PREPARATION METHOD THEREFOR AND USE THEREOF (2'-氟-4'-取代核苷類似物的晶型A及其製備方法和應用)	Azvodine	Invention Patent	201910313694.7	Henan Genuine	Granted	April 18, 2019 to April 18, 2039	PRC
2'-FLUORINE-4'-SUBSTITUTED NUCLEOSIDE ANALOGUES, PREPARATION METHODS AND USES THEREOF (2'-氟-4'-取代-核苷類似物、其製備方法及應用)	Azvodine	Invention Patent	200710137548.0	Henan Genuine	Granted	August 7, 2007 to August 7, 2027	PRC
2'-FLUORINE-4'-SUBSTITUTED-NUCLEOSIDE ANALOGUES, PREPARATION METHODS AND USES THEREOF	Azvodine	Invention Patent	US12669342	Henan Genuine	Granted	June 27, 2008 to December 7, 2028	U.S.
2'-FLUORO-4'-SUBSTITUTED-NUCLEOSIDES, THE PREPARATION AND USE	Azvodine	Invention Patent	EP08772992.7	Henan Genuine	Granted	June 27, 2008 to June 27, 2028	Germany, France, UK

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Patent Name	Corresponding			Owner/ Applicant	Status	Validity Term	Jurisdiction
	Product/ Indication	Patent Type	Registration/ Application No.				
CRYSTAL FORM A OF 2'-FLUORO-4'-SUBSTITUTED NUCLEOSIDE ANALOG I AND PREPARATION METHOD THEREFOR AND USE THEREOF	Azvudine	Invention Patent	AU2019435643	Henan Genuine	Granted	April 18, 2019 to April 18, 2039	Australia
2-(2,4,5-SUBSTITUTED PHENYLAMINO) PYRIMIDINE DERIVATIVE AND PREPARATION METHOD THEREFOR AND USE OF ANTI-TUMOR DRUGS THEREOF (2-(2,4,5-取代苯氨基)嘧啶衍生物、其製備方法及其在製備抗腫瘤藥物中的應用)	Dosimertinib	Invention Patent	201711282598.8	Henan Genuine	Granted	December 7, 2017 to December 7, 2037	PRC
PREPARATION METHOD AND INTERMEDIATE OF DEUTERATED ACRYLAMIDE (氘代丙烯酸酰胺的製備方法和中間體)	Dosimertinib	Invention Patent	201710949642.X	Henan Genuine	Granted	October 12, 2017 to October 12, 2037	PRC
CRYSTAL FORM, PREPARATION METHOD, AND APPLICATION OF 4'-SUBSTITUTED NUCLEOSIDE (4'-取代核苷的晶型、製備和應用)	CL-197	Invention Patent	201910216375.4	Henan Genuine	Granted	March 21, 2019 to March 21, 2039	PRC
O-(SUBSTITUTED BENZYL) PHOSPHORAMIDATE COMPOUNDS AND THERAPEUTIC USE (O-(經取代的苯甲基)氨基磷酸酯化合物及其治療用途)	Nucleoside prodrug	Invention Patent	201180068748.X	Henan Genuine	Granted	December 30, 2011 to December 30, 2031	PRC
DOUBLE-LIVER-TARGETING PHOSPHORAMIDATE AND PHOSPHONOAMIDATE PRODRUG (雙肝臟靶向氨基磷酸酯和氨基磷酸酯前藥)	Nucleoside prodrug	Invention Patent	201380030061.6	Henan Genuine	Granted	March 15, 2013 to March 15, 2033	PRC
O-(SUBSTITUTED BENZYL) PHOSPHORAMIDATE COMPOUNDS AND THERAPEUTIC USE	Nucleoside prodrug	Invention Patent	US13978272	Henan Genuine	Granted	December 30, 2011 to December 30, 2031	U.S.

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<u>Patent Name</u>	<u>Corresponding Product/ Indication</u>	<u>Patent Type</u>	<u>Registration/ Application No.</u>	<u>Owner/ Applicant</u>	<u>Status</u>	<u>Validity Term</u>	<u>Jurisdiction</u>
DOUBLE-LIVER-TARGETING PHOSPHORAMIDATE AND PHOSPHONOAMIDATE PRODRUGS	Nucleoside prodrug	Invention Patent	US13838071	Henan Genuine	Granted	December 30, 2011 to June 27, 2032	U.S.
THIENOPYRIMIDINONE DERIVATIVE AND PREPARATION METHOD THEREFOR AND APPLICATION THEREOF IN MANUFACTURING OF ANTITUMOR DRUGS THEREOF (噻吩並嘧啶衍生物、其製備方法及在製備抗腫瘤藥物中的應用)	PARP inhibitor	Invention Patent	201711389203.4	Henan Genuine	Granted	December 21, 2017 to December 21, 2037	PRC
THIENOPYRIMIDINONE DERIVATIVE AND APPLICATION THEREOF IN PREPARING ANTICANCER DRUG	PARP inhibitor	Invention Patent	US16503656	Henan Genuine	Granted	December 21, 2017 to December 21, 2037	U.S.
2',3'-DIDEOXY-2'- $\alpha$ -FLUORO-2'- $\beta$ -C-METHYLNUCLEOSIDES AND PRODRUG THEREOF (2', 3'-二脫氧-2'- $\alpha$ -氟-2'- $\beta$ -C-甲基核苷和其前藥)	Hepatitis C	Invention Patent	201280030844.X	Henan Genuine	Granted	July 19, 2012 to July 19, 2032	PRC
2'-FLUORO-2'-(FLUOROMETHYL)-2'-DEOXYNUCLEOSIDE COMPOUND AND PHOSPHATE POTENTIAL DRUG THEREOF (2'-氟-2'-(氟甲基)-2'-脫氧核苷類化合物及其磷酸酯潛藥)	Hepatitis C	Invention Patent	201310665447.6	Henan Genuine	Granted	December 9, 2013 to December 9, 2033	PRC

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### COMPETITION

The development and commercialization of innovative drugs is highly competitive. While we believe our innovative platform provides us with competitive advantages, we face competition from global and China-based pharmaceutical and biotech companies that market or will market products in competition with our drug and drug candidates. We primarily rely on our R&D capabilities, the clinical performance of our drug and drug candidates, our commercialization capabilities and brand recognition in the market competition.

For further details of our major competitors, see “—Our Product Portfolio” and “Industry Overview” in this document.

### EMPLOYEES

We had 220 employees as of the Latest Practicable Date, with the vast majority of which based in China. The table below sets forth our employees by function and by geographical region as of the same date:

<b>Function</b>	<b>Number of Employees in PRC</b>	<b>Number of Employees in Hong Kong</b>
R&D	79	—
Administration	11	1
Commercialization and supply chain	82	—
Operation management	41	—
Senior management	6	—
	<u>219</u>	<u>1</u>
<b>Total</b>		<b><u><u>220</u></u></b>

To comply, and to remain compliant with PRC labor laws, we enter into standard employment agreements with all employees in China. Under such employment agreement, our employees are under strict confidentiality with respect to all documents, records and information of our Company. Upon termination of an employee, all work products and materials related to our Company must be returned to us. The confidentiality obligation of an employee remains effective for two years after the employment agreement is terminated. We have also entered into additional non-compete agreements with our key employees. Under these agreements, our key employees may not conduct business in direct or indirect competition with us during the term of their employment and may not compete with us (in the ways stipulated in the agreements) in China for two years after the termination of such employment. As required by PRC labor laws, we make contributions to social insurance and

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housing provident funds for our employees based in China. During the Track Record Period, we engaged third-party agents to make such contributions locally on behalf of us for some of our employees located outside Beijing, Shenzhen, Shanghai and Pingdingshan. See “Risk Factors—Risks Relating to Our Industry and Business Operations—Any failure to comply housing provident fund or the mandatory social insurance may subject us to fines and other legal or administrative sanctions” in this document for details. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any labor disputes or strikes that would materially and adversely affect our business, financial condition or results of operations.

We recruit our employees mainly through recruiters on online recruiting platforms. We offer remuneration packages based on individuals’ qualifications and experiences and generally match the market rate for salary to stay competitive in the labor market. We also provide training and development programs to our employees from time to time to ensure their awareness and compliance with our various policies and procedures and to maintain certain requisite qualifications, such as quality assurance and good pharmacovigilance practice qualifications. In addition, we award various incentives to encourage inventions by our R&D team. We believe that we maintain a good working relationship with our employees and we did not experience any difficulty in recruiting staff for our operations during the Track Record Period.

## INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. In line with industry practice in China, we maintain different types of insurance policies, such as personal accident insurance and clinical trials liability insurance. Our Directors consider that our existing insurance coverage is generally in line with the industry practice in China. See “Risk Factors—Risks Relating to Our Industry and Business 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” in this document for details.

## PROPERTIES AND FACILITIES

Our headquarters and manufacturing facilities are located in Pingdingshan, Henan Province. As of the Latest Practicable Date, we did not own any real property. As of the same date, we leased 10 properties with an aggregate GFA of approximately 26,000 sq.m. in China for daily business operations, R&D and in-house manufacturing, one of which were leased from Pingdingshan Xingyu.

As of the Latest Practicable Date, seven lease agreements relating to our leased properties in China had not been filed with the relevant PRC housing administration authorities. According to the relevant PRC laws, a company may be subject to an administrative fine up

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to a maximum of RMB10,000 for each lease agreement that is not filed with the relevant PRC housing administration authority, if the company fails to rectify such non-compliance under the prescribed time limit, which we do not believe will have a material adverse impact on our business.

During the Track Record Period and up to the Latest Practicable Date, we also experienced certain incidents in relation to our business operations on the properties in Pingdingshan that we leased from Pingdingshan Xingyu. Prior to commencing operations, Pingdingshan Xingyu failed to complete certain construction procedures, including (i) obtaining the construction work planning permit and the construction work commencement permit, and consequentially obtaining the housing ownership certificate, (ii) completing the required fire prevention procedures and (iii) obtaining the approval documents for its environmental impact assessment (EIA) report and conducting the inspection upon construction of its environmental protection projects as required by law and regulations in the PRC. Pingdingshan Xingyu and we have been proactive in rectifying such non-compliance and seeking confirmations from the competent authorities to continue our operations. As of the Latest Practicable Date, we had obtained the approval documents and conducted inspections under (iii) above. In addition, we have also obtained the written confirmations from each of the competent authorities that no administrative penalties or measures will be imposed on us or Pingdingshan Xingyu and neither we nor Pingdingshan Xingyu will be held liable for those previous non-compliance. In addition, each of the competent authorities confirmed that we may continue our operations therein and that they will not order Pingdingshan Xingyu or us to suspend, restore or relocate from such leased properties. As a result, as advised by our PRC Legal Advisors, the risks that we will be imposed of administrative penalties or measures by the competent authorities due to such non-compliance is low.

Additionally, as of the Latest Practicable Date, we had six leased properties in Shenzhen where the actual use did not conform to the intended use as recorded in the property ownership certificate. As advised by our PRC Legal Advisors, the competent authorities may order us to rectify such non-compliance within a prescribed time period, prohibit us from using the property, and/or terminate our lease agreement for these properties. See “Risk Factors—Risks Relating to Our Industry and Business Operation—We do not own any real property and may incur substantial relocation expenses if any lease for our offices is not renewed upon its expiration or is terminated” in this document for risks related to our leased properties.

### **Leasing Arrangements with Pingdingshan Xingyu**

On December 27, 2018, Henan Genuine entered into a leasing agreement (as renewed on January 20, 2022, July 1, 2022 and August 9, 2022, the “PX Leasing Agreement”) with Pingdingshan Xingyu to rent certain facilities with an aggregate GFA of approximately 22,262.3 sq.m. in Pingdingshan at a monthly rent of RMB333,935.1, on terms that are comparable to market terms and other independent transactions. The term of the PX Leasing Agreement lasts from January 1, 2019 to December 31, 2038.



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In 2019, Pingdingshan Xingyu conducted further constructions on the leased properties and incurred construction costs while experiencing cash flow problems. As a result, in June 2019, the parties agreed that Henan Genuine would pay the construction costs on behalf of Pingdingshan Xingyu to offset the rent due from Henan Genuine to Pingdingshan Xingyu. On March 23, 2022, Henan Genuine and Pingdingshan Xingyu entered into an agreement (the “Offset Agreement”) to memorialize such arrangement. Pursuant to the Offset Agreement, because the amount of construction costs paid by Henan Genuine on behalf of Pingdingshan Xingyu as of December 31, 2021 exceeded the rent due to Pingdingshan Xingyu as of the same date, the construction costs paid by Henan Genuine shall be first used to offset the rent due to Pingdingshan Xingyu as of December 31, 2021, with the remaining amount applied to the rent that will become due under the PX Leasing Agreement. Henan Genuine shall continue to pay the rent pursuant to the PX Leasing Agreement after the construction costs paid by Henan Genuine as of December 31, 2021 have fully offset the rent due to Pingdingshan Xingyu. As of the Latest Practicable Date, constructions of the leased manufacturing facilities were fully completed and we will not be obligated to pay any construction costs for the leased manufacturing facilities in the future.

## SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to various social, health, safety and environmental laws and regulations and our operations are regularly inspected by local government authorities. See “Regulatory Overview—Laws and Regulations Relating to Environmental Protection and Fire Prevention” in this document for details. We believe we have adequate policies ensuring compliance with all applicable social, health, safety and environmental protection regulations. Particularly, we believe our continued growth rests on integrating social values into our business. We intend to create a lasting positive environmental, social and governance (“ESG”) impact on our customers, suppliers and the broader community whom our operation may impact. We acknowledge our responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impact on our business. We are committed to complying with ESG reporting requirements upon [REDACTED].

### Social Matters

In respect of social responsibilities, we are committed to offering a fair and caring working environment to our employees. We have transparent policies on recruitment, compensation, dismissal, equal opportunities, diversity and anti-discrimination. We hire employees based on their merits and it is our corporate vision to offer equal opportunities to our employees. We encourage our employees who encounter any discrimination to seek immediate assistance, which also allows us to conduct timely investigation and follow up as needed. In addition, we provide training programs on industry and regulatory developments to our employees.

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Furthermore, we actively engage in fulfilling our social responsibilities; as of the Latest Practicable Date, we and Fosun Pharma jointly donated nearly 300,000 bottles of Azvudine tablets to special high-risk groups in China, including rural areas and urban nursing homes, and welfare institutions. Our donation covered more than 250 cities and counties and helped certain regions and demographics to address the lack of medication supplies and medical facilities.

### **Occupational Health and Safety**

Our operations involve the use of hazardous and flammable chemical materials. We have strictly followed the environmental, health and safety (EHS) standards and guidelines for operating in our laboratory. We have also contracted with qualified independent third parties to install the equipment in our laboratory, who we may also engage to carry out necessary repairs and maintenance work. Our EHS manager is mainly responsible for identifying and mitigating safety risks, improving the safety production policies and procedures, supervising the implementation of such policies and procedures and making emergency plans in respect of production safety to our employees.

We strive to provide a safe working environment for our employees. We have adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for our employees. We have relevant internal policies in place to ensure safe storage and handling of flammable and corrosive materials used in our laboratory. We also have safety equipment and instruments in place.

### **Environmental Matters**

We are acutely aware of the impact of our business on climate and environment. We strive to take measures to protect the ecological environment during our business operation, so as to minimize adverse environmental impact.

After we began in-house manufacturing activities in 2022, the main pollutants produced from our manufacturing facilities include wastewater, waste gas, solid waste and noise. Wastewater includes production process wastewater, equipment cleaning wastewater, laboratory wastewater and domestic wastewater. Production wastewater is mainly discharged into the municipal water pipe network after treatment while domestic wastewater is discharged into the municipal sewage pipe network through the septic tank in our manufacturing facilities. Our wastewater treatment methods are in compliance with the national treatment and discharge standards. For any potential hazardous waste we produce from R&D activities, we engage third parties for the disposal of such hazardous materials and wastes. We select these third parties based on a number of factors, including their qualification, service quality and industry experience.

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We pay close attention to the global trend and China’s national strategy of addressing climate change and ecological environment protection. In terms of major climate change-related initiatives or action plans that may affect us, we plan to formulate policies after our [REDACTED] to systematically identify, assess and manage climate change-related risks, and formulate relevant response strategies.

### 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, gas and water consumption levels and actively implement strategies to enhance energy efficiency and promote water conservation. In aggregate, in terms of our manufacturing function which has been the primary resource consumption function in our Group, our electricity consumption levels were approximately 2.2 million kWh and 1.7 million kWh, respectively, in 2023 and 2024; our gas consumption levels were approximately 3,300 m<sup>3</sup> and 2,500 m<sup>3</sup>, respectively, in 2023 and 2024; and our water consumption levels were approximately 52,000 m<sup>3</sup> and 59,000 m<sup>3</sup>, respectively, in 2023 and 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. We develop 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. This goal reflects our endeavor to strike a balance between advancing our R&D and manufacturing endeavors over the next three years, while also upholding our environmental commitment. We plan to achieve this by optimizing processes to maximize electricity and gas utilization and minimize water wastage in our daily operations.

To achieve our goals, 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, gas and electricity resources, such as placing water-saving and power-saving signs in prominent areas to capture attention and foster our employees’ commitment to environmental protection;
- encouraging our employees to avoid printing hard copies and requiring double-sided printing whenever possible;
- regularly conducting inspections of our laboratory equipment in order 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.

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During the Track Record Period and up to the Latest Practicable Date, we had been in compliance with the relevant PRC laws and regulations in all material aspects, and had not been subject to any material claim or penalty in relation to health, safety, social and environmental protection, or been involved in any significant work place accident or fatality. We intend to remain in strict compliance of all applicable PRC laws and regulations.

### LICENSES AND PERMITS

We are required to obtain and renew certain licenses, permits, approvals and certificates for our business operations in China. Our PRC Legal Advisors are of the view that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals and certificates from the relevant government authorities that are material for our business operations in China, including registrations and drug manufacturing. The following table sets out a list of material licenses and permits held by us as of the Latest Practicable Date. We plan to renew all material licenses and permits upon expiration.

Holder	License/Permit	Indication	License/ Permit No.	Validity Period	Authority
Henan Genuine	Manufacturing License for Pharmaceutical Products	N/A	豫20210344	June 18, 2024 – June 1, 2026	Henan Medical Products Administration
Henan Genuine	Drug Registration Certificate (Azvudine Tablets (1 mg))	HIV infection	2021S00825	July 20, 2021 – July 19, 2026	NMPA
Henan Genuine	Drug Registration Certificate (Azvudine Tablets (3 mg))	HIV infection	2021S00826	July 20, 2021 – July 19, 2026	NMPA
Henan Genuine	Drug Registration Certificate (Azvudine Tablets (1 mg))	Common COVID-19	2022S00715	July 25, 2022 – July 24, 2026	NMPA

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### COMPLIANCE AND LEGAL PROCEEDINGS

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Track Record Period and up to the Latest Practicable Date, none of us were involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us which may have a material and adverse impact on our business, financial condition or results of operations.

During the Track Record Period and as of the Latest Practicable Date, we had not had any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our company as a whole.

### AWARDS AND RECOGNITIONS

We and our management have received various awards and recognitions, including the following:

<u>Awardee</u>	<u>Award</u>	<u>Year of Award</u>	<u>Awarding Organization</u>
Henan Genuine	First prize of the Henan Province Technological Invention Award (河南省技術發明獎一等獎) (regarding azvudine as a dual-target HIV treatment)	2024	The People’s Government of Henan Province (河南省人民政府)
Henan Genuine	2023 Top 30 Innovative Small-Molecule Pharmaceutical Enterprises in China (2023年度中國小分子藥物企業創新力TOP30)	2024	MENET (米內網)
Henan Genuine	Best Business Return Award for Drugs Entering the Market for Three Years (Chemical Drugs) (上市三年“最佳商業回報獎(化學藥)”)	2024	CBIITA (中國生物醫藥產業鏈創新轉化聯合體)

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Awardee	Award	Year of Award	Awarding Organization
Henan Genuine	First prize of the Henan Province Technological Invention Award (河南省技術發明獎一等獎) (regarding azvudine as a COVID-19 treatment)	2023	The People’s Government of Henan Province (河南省人民政府)
Henan Genuine	Top 10 Innovative Biotechnology Companies of the Year (年度生物科技十大創新企業獎)	2023	China Times (華夏時報社)
Henan Genuine	2022 Top 30 Innovative Small-Molecule Pharmaceutical Enterprises in China	2023	MENET (米內網)
Henan Genuine	2023 Top 100 Chinese Pharmaceutical Innovative Seed Enterprises (2023中國醫藥創新種子企業100強)	2023	Healthcare Executive (E藥經理人)
Henan Genuine	2022 Henan Social Responsibility Annual Corporate Award (2022河南社會責任年度企業獎)	2023	Henan Daily (河南日報社), State-owned Assets Supervision and Administration Commission of Henan Provincial People’s Government (河南省人民政府國有資產監督管理委員會), Local Financial Supervision and Administration Bureau of Henan Province (河南省地方金融監督管理局), Henan Provincial Department of Industry and Information Technology (河南省工業和信息化廳) and Henan Provincial Charity Federation (河南省慈善聯合總會)
Shenzhen Genuine	Specialized, High-end and Innovation-driven Medium-Small Enterprise (專精特新中小企業)	2023	Service Bureau for Small and Medium-sized Enterprises of Shenzhen Municipality (深圳市中小企業服務局)

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Awardee	Award	Year of Award	Awarding Organization
Henan Genuine	2022 Biotech Innovation Award (2022年度生物科技創新獎)	2023	China Times (華夏時報社)
Shenzhen Genuine	High-tech Enterprise (高新技術企業)	2022	Science, Technology and Innovation Commission of Shenzhen Municipality (深圳市科技創新委員會), Finance Bureau of Shenzhen Municipality (深圳市財政局) and Shenzhen Tax Service, State Taxation Administration (國家稅務總局深圳市稅務局)
Henan Genuine	China Pharmaceutical Innovation Seed Enterprise, Top 100 (2022 中國醫藥創新種子企業100強)	2022	Healthcare Executive (E藥經理人)
Henan Genuine	Annual Drug Innovation Achievement Award and Top 10 Pharmaceutical Innovation Research Teams of the Year (年度藥物創新成就獎，年度十大藥物創新研究團隊)	2022	Securities Times (證券時報)
Henan Genuine	2020 Top 30 Innovative Small-Molecule Pharmaceutical Enterprises in China (2021年度中國小分子藥物企業創新力TOP30)	2022	MENET (米內網)
Henan Genuine	Project of Best Investment Value (最具投資價值項目獎)	2021	China National Pharmaceutical Industry Information Center (中國醫藥工業信息中心)
Henan Genuine	Excellent Business Award in the Greater Bay Area (大灣區傑出業務大獎)	2021	China Financial Market (中國融資)
Henan Genuine	Excellent Medical and Pharmaceutical Enterprise Award (卓越醫療及醫藥企業大獎)	2021	China Financial Market (中國融資)



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<u>Awardee</u>	<u>Award</u>	<u>Year of Award</u>	<u>Awarding Organization</u>
Henan Genuine	2020 Top 30 Innovative Small-Molecule Pharmaceutical Enterprises in China (2020年度中國小分子藥物企業創新力TOP30)	2021	MENET (米內網)
Henan Genuine	WIPO-CNIPA Award for Chinese Outstanding Patented Invention (中國專利金獎)	2017	China National Intellectual Property Administration (國家知識產權局) and World Intellectual Property Organization

## RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks in the operations of our business, and we believe that risk management is important to our success. For details, see “Risk Factors—Risks Relating to Our Industry and Business Operations” in this document. We are exposed to a variety of market and other financial risks, including interest rate risk, liquidity risk and foreign currency risk. See “Financial Information—Market and Other Financial Risks” in this document for details. We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. Our Directors oversee and manage the overall risks associated with our operations. 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. To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted or will continue to adopt, among other things, the following internal control and risk management policies in our business operations.

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### Internal Control Risk Management

Our Board [has established] the Audit Committee to review and supervise our financial reporting process and internal control system. Our Audit Committee consists of three members. For the qualifications and experience of these committee members, see “Directors and Senior Management” in this document. In addition, our internal audit team works closely with our business team to (i) perform risk assessments and give advice on risk management strategies, (ii) improve operation efficiency and monitor internal control effectiveness, and (iii) promote risk awareness.

We have adopted or will continue to adopt strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations, particularly, the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure. We will provide training sessions to our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

In accordance with our procedures, our financial and legal personnel will examine the agreement terms and review all relevant documents for our business operations, including licenses and permits obtained by the vendors and all the necessary underlying due diligence materials, before we enter into any agreement or business arrangements.

Our Directors and senior management oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operation and our management’s handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework.

Our audit department oversees the obtaining of any requisite governmental pre-approvals or consents, including (i) formulating and updating our regulatory risk management policies; (ii) promulgating regulatory risk management measures; (iii) providing guidance on our risk management approach to the business team; (iv) reviewing internal reporting on key regulatory risks and providing feedbacks; (v) supervising the implementation of our risk management measures in business operations; (vi) reporting to our senior management on our material risks; and (vii) ensuring that the appropriate structure, processes and competences are in place internally. For IP related issues, we have engaged specialized outside IP legal advisers in assisting us in IP matters, such as patent and trademark application and registration matters. We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

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### **Financial Reporting Risk Management**

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies and budget management policies. We have also developed various procedures to implement accounting policies and our finance department reviews our management accounts based on such procedures. In addition, we will provide training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

### **Information System Risk Management**

We have implemented or will adopt relevant internal procedures and controls to ensure that our information system is protected and limit the risk of data leakage and loss. We will provide information security training to our employees and conduct ongoing trainings and discuss any issues or necessary updates from time to time.

### **Clinical Data Management**

In line with industry practice, we typically collaborate with physicians in local hospitals to conduct clinical trials, which are done primarily by engaging NMPA-certified clinical centers and CROs who meet our requirements, who are responsible for maintaining the confidentiality of the medical records and personal data of subjects enrolled in our clinical trials. We have adopted internal rules requiring our employees to maintain the confidentiality of information related to our clinical trials.

### **Quality Control Risk Management**

Our quality control system is an essential component of our risk management and internal control system. Our quality control measures cover all aspects of our manufacturing operations, including design and construction of manufacturing facilities, the installation and maintenance of manufacturing equipment, procurement of raw materials and packaging materials, quality checks of materials and products, monitoring adverse drug reactions and verification of documentation. The procedures and methodologies of our quality control system are based on GMP standards, the PRC Pharmacopoeia and other applicable domestic and international standards.

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### **Anti-bribery and Anti-corruption**

We strictly prohibit bribery or other improper payments in any of our business operations. We keep accurate books and records reflecting transactions and asset dispositions in reasonable details. We will also provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations. Particularly, we will ensure that our sales and marketing team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

### **International Sanctions Risk Management**

We have implemented internal control measures to minimize our risk exposure to international sanctions. For example, we will evaluate the risks of economic sanctions for our overseas projects and our in-house legal team pays a close attention to such risks in reviewing our business contracts for overseas projects. Additionally, we will determine whether third party professional consultants should be engaged to further evaluate the sanction risks in the medical industry that could affect our business.

### **Human Resources Risk Management**

We formulate our future recruitment plan in light of our current employee structure and our future business plan. We constantly improve our recruitment process with the aid of information technology, such as utilizing online recruitment platforms.

We have employed an independent internal control consultant to conduct an assessment of our internal control system in connection with the [REDACTED]. The internal control consultant has conducted a review procedure on our internal control system in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations. The internal control consultant conducted its work from May 2021 to July 2021 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The internal control consultant performed follow-up assessment on our internal control system from October 2021 to February 2025 and has not identified any material deficiencies in our internal system.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

Immediately upon completion of the [REDACTED] and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme, Tri-Link Ventures and Creative Summit will, in aggregate, directly hold approximately [REDACTED]% of the issued share capital of our Company. Tri-Link Ventures is a company wholly owned by Mr. Wang. Creative Summit is wholly owned by Tri-Link Ventures, which in turn is wholly owned by Mr. Wang, the trustee of the RSU Scheme Trust who holds shares in Creative Summit through Tri-Link Ventures for the purpose of the RSU Scheme. The RSU Scheme Trust is a fixed trust established by our Company as the settlor and is intended for the benefit of eligible persons entitled to receive a grant of the RSUs in accordance with the terms of the RSU Scheme. Accordingly, Mr. Wang, Tri-Link Ventures and Creative Summit constitute a group of our Controlling Shareholders under the Listing Rules.

Tri-Link Ventures is an investment holding company. Creative Summit is the holding company for the administration of the RSU Scheme and holds the Shares on trust for the eligible persons entitled to receive a grant of the RSUs in accordance with the terms of the RSU Scheme. Mr. Wang founded Henan Genuine in September 2012 and served as the director and legal representative of Henan Genuine from September 2012 to September 2018 and was responsible for decision-making and formulation of development strategies of our Group prior to the joining of Dr. Du in January 2019. Apart from his interests in our Group, Mr. Wang has invested in other businesses, details of which are set out in “—Delineation of Business—Other business invested by Mr. Wang” in this section below. He served as a member of the National People’s Congress of PRC from 2013 to 2023. He has also been serving as a vice president of the National Revolutionary Central Entrepreneurs Association (民革中央企業家聯誼會) since November 2017, a vice president and a member of the executive committee of the Henan Federation of Industry and Commerce (河南省工商業聯合會) since August 2022 and the president of Henan Yingcheng Chamber of Commerce (河南省鷹城商會) since January 2024. Given (i) Mr. Wang’s plan to focus on his other businesses and public and organizational affairs; and (ii) the past successful achievement of our Group in R&D of drugs and business operations led by our management team, Mr. Wang entrusted the overall management and business operations of our Group to our core management team led by Dr. Du, the chairman of our Board, our executive Director, chief executive officer and chief scientific officer. Dr. Du is also a substantial Shareholder of our Company.

### DELINEATION OF BUSINESS

#### Business of our Group

Our Group is dedicated to the development, manufacturing and commercialization of innovative drugs for the treatment of viral infections, oncological and cardio-cerebrovascular diseases.

#### Other business invested by Mr. Wang

Apart from our business, Mr. Wang is involved in other businesses which mainly include real estate development, property leasing and tar deep processing (“**Mr. Wang’s Other Businesses**”) through companies owned and/or controlled by him. Given the difference between the business of our Group and Mr. Wang’s Other Businesses, there is a clear delineation between our business and Mr. Wang’s Other Businesses. Our Directors are therefore of the view that there is no competition between our business and Mr. Wang’s Other Businesses.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Other business invested by Dr. Du

Apart from our business, Dr. Du is beneficially interested in 78% of equity interest in Meitaibao, a company which was principally engaged in drug R&D, through Mr. Du Jianping, a nephew of Dr. Du who holds such equity interest as nominee for and on behalf of Dr. Du. Meitaibao transferred all its intellectual property rights in relation to our business to our Group in 2019 and had not carried out any business which competes or is likely to compete with our business as of the Latest Practicable Date. See “Business —Our Technology Transfer Arrangements and Collaborations—Meitaibao Technology Transfer Agreement” for the details of the transfer arrangement.

To ensure that competition will not exist in the future, Meitaibao and Dr. Du entered into a non-competition undertaking in favor of Henan Genuine and its subsidiaries in April 2020, pursuant to which each of Meitaibao and Dr. Du undertakes not to, among others, (i) directly or indirectly conduct or be involved in any business that directly or indirectly competes, or may compete, with the business engaged by Henan Genuine and its subsidiaries; and (ii) directly or indirectly invest in any company or business that competes directly or indirectly with the business engaged by Henan Genuine and its subsidiaries from time to time.

Based on the arrangements above, our Directors are of the view that there is no competition between our Group and Meitaibao.

Save as disclosed above, as of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business apart from our business, which competes or is likely to compete, either directly or indirectly with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the [REDACTED] for the following reasons:

#### Management Independence

Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. As of the Latest Practicable Date, save for one of our executive Directors, namely Mr. Wang Lin, who is concurrently serving as the deputy general manager of Xingyu Zhongke, none of our Directors or the members of our senior management team held any position at our Controlling Shareholders or their respective close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is any potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Director(s) shall, save in certain circumstances provided by the Articles of Association, abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and/or their respective close associates after the [REDACTED].

### **Operational Independence**

We have full rights to make all decisions on, and to carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the [REDACTED]. Our Group is able to operate without reliance on our Controlling Shareholders and their respective close associates.

### ***Research and Development***

We have our own R&D platforms in Shenzhen and Shanghai which are independent from our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, our R&D platforms had employed 79 members, who were all full-time employees of our Group and did not hold any position in our Controlling Shareholders or their respective close associates. In addition, our Group owns 37 registered patents in the PRC and other countries which are necessary for our R&D and operations. With such independent R&D platforms, an experienced and independent R&D team and self-owned patents, our Group has all the requisite resources to carry on our R&D process independently.

### ***Customers, sales and marketing***

During the Track Record Period, we primarily sold azvudine to Fosun Pharmaceutical Industrial in accordance with the Fosun Pharma Agreements after azvudine was approved for marketing in China. Considering the evolving market conditions and in the best interest of both parties, we entered into the Amendment Agreement with Fosun Pharmaceutical Industrial in September 2024, regaining the commercialization right under the Fosun Pharma Agreements. See “—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreement” for details.

As of the Latest Practicable Date, we had entered into distribution agreements with 53 distributors and we do not expect to sell our products through our Controlling Shareholders and/or their respective close associates.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### *Suppliers/procurement*

We procure parts and materials used in R&D independently. We have independent access to our suppliers as well as business partners independent of our Controlling Shareholders and their respective close associates.

### *Operational facilities and administration*

As of the Latest Practicable Date, we had leased premises in Henan from Pingdingshan Xingyu, a company indirectly owned as to 80% by Mr. Wang, with a total GFA of approximately 22,262 sq.m. from January 1, 2019 to December 31, 2038 on terms which are comparable to market terms and other independent transactions, for our operations. Save as disclosed above, all the properties, facilities and equipment necessary to our business operations are independent from our Controlling Shareholders and their respective close associates.

In addition, we have a full-time management team and staff to carry out our own administration and operation independently from our Controlling Shareholders and their respective close associates. All key administrative functions have been and will be carried out by our own without reliance or the support of our Controlling Shareholders and their respective close associates.

### *Employees*

As of the Latest Practicable Date, all of our full-time employees were recruited independently from our Controlling Shareholders and their respective close associates and primarily through both internal referrals and external sources such as recruiting websites and third-party recruiters.

### **Financial Independence**

As of the Latest Practicable Date, all loans, advances and balances due to or from our Controlling Shareholders or their close associates which were not arising out of the ordinary course of business had been fully settled, and all guarantees provided by our Controlling Shareholders and their respective close associates on the borrowings of our Group had been fully released and vice versa.

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in our Shareholders’ best interests as a whole and is fully aware of the compliance of Rule 8.10 of the Listing Rules. Our Directors believe that there are adequate corporate governance measures in place to manage existing or potential conflicts of interest. In particular, in order to further avoid potential conflicts of interest, we have implemented the following measures:

- (i) as part of our preparation for the [REDACTED], we [have amended] our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (ii) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (iii) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We [have appointed] three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in “Directors and Senior Management—Board of Directors—Independent non-executive Directors” in this document;
- (iv) we have appointed Guotai Junan Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors’ duties and corporate governance; and
- (v) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board’s work at our Shareholders’ meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles. We [have entered into] service agreements with each of our executive Directors. We [have also entered] into letters of appointment with each of our non-executive Directors and independent non-executive Directors.

The following table sets forth certain information in respect of members of our Board and senior management of our Group:

#### Members of our Board

Name	Age	Existing position(s) in our Group	Date of joining our Group	Date of appointment as Director	Roles and responsibilities in our Group
Dr. Du Jinfa (杜錦發)	70	Executive Director, chairman of our Board, chief executive officer and chief scientific officer	January 18, 2019	September 26, 2019	Responsible for the overall management and R&D of our Group
Dr. Dang Qun (黨群)	61	Executive Director, president and chief business officer	March 22, 2021	August 1, 2022	Responsible for business development of our Group and the management of our Shanghai R&D Center
Mr. Wang Lin (王琳)	43	Executive Director and head of our Board office	July 1, 2015	September 26, 2019	Responsible for the administrative management and assisting the chairman in setting strategic goals and planning of our Group
Mr. Zhu Jinqiao (朱晉橋)	58	Non-executive Director	April 12, 2022	April 12, 2022	Responsible for providing guidance and overseeing management and operations of our Group

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Existing position(s) in our Group	Date of joining our Group	Date of appointment as Director	Roles and responsibilities in our Group
Dr. Li Juhe (李聚合)	58	Non-executive Director	May 1, 2024	May 1, 2024	Responsible for providing guidance and overseeing management and operations of our Group
Dr. He Ruyi (何如意)	63	Independent non-executive Director	August 1, 2022	August 1, 2022	Responsible for providing independent advice on the management and operations of our Group
Ms. Leung Bik San (梁碧珊)	54	Independent non-executive Director	[●], 2025	[●], 2025	Responsible for providing independent advice on the management and operations of our Group
Mr. Wang Jitao (王繼濤)	52	Independent non-executive Director	[●], 2025	[●], 2025	Responsible for providing independent advice on the management and operations of our Group

### Members of our senior management

Name	Age	Existing position(s) in our Group	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities in our Group
Dr. Luo Feng (羅鋒)	60	Senior vice president and chief development officer	September 1, 2024	September 1, 2024	Responsible for the management of our Beijing R&D Center
Dr. Guo Chang Yue (郭昌月)	62	Vice president	May 1, 2019	May 1, 2019	Responsible for the R&D of macromolecular drugs and the management of Shenzhen Genuine
Dr. Li Pan (李磐)	57	Vice president	April 12, 2021	April 12, 2021	Responsible for the R&D of small-molecule drugs of our Group

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## DIRECTORS AND SENIOR MANAGEMENT

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None of the members of Directors and senior management listed above has any relationship with each other.

### Executive Directors

**Dr. Du Jinfa (杜錦發)**, aged 70, was appointed as our Director on September 26, 2019 and was re-designated as our executive Director and appointed as chairman of our Board on August 1, 2022. Dr. Du joined our Group in January 2019 and has been serving as our chief executive officer and chief scientific officer since then. He is primarily responsible for the overall management and R&D of our Group and is one of the inventors of azvudine (for the treatment of COVID-19), dosimertinib and CL-197. Dr. Du is also a substantial shareholder of our Company.

Dr. Du has over 31 years of experience in drug discovery in the biotech industry and has been recognized as “State Specially Recruited Experts (國家特聘專家)” by the PRC government. Prior to joining our Group, from 1992 to 1998, Dr. Du was engaged in post-doctorate research of antiviral and anti-tumor drugs at the University of Georgia in the United States. From 2001 to 2011, Dr. Du served at Pharmasset Inc., a clinical-stage pharmaceutical company in the United States principally engaged in discovering, developing and commercializing novel drugs to treat viral infections (previously listed on NASDAQ (previous stock code: VRUS) and subsequently acquired by Gilead Sciences, Inc. (a company principally engaged in research and developing antiviral drugs and listed on NASDAQ (stock code: GILD)) on January 17, 2012), where he served as the associate director of chemical research, and was primarily responsible for leading the R&D project of nucleoside anti-hepatitis C drugs. During such period, Dr. Du, as one of the inventors, participated in the R&D of sofosbuvir (also known as sovaldi), a revolutionary drug for treating hepatitis C which won the Prix Galien Award granted by the Galien Foundation in 2014. The journal *Cell* has commented that sofosbuvir’s contribution to the cure of HCV is regarded as one of the most significant public health accomplishments of our generation. From 2012 to 2015, Dr. Du served as the senior research scientist II at Gilead Sciences, Inc., where he was primarily responsible for the research of novel antivirals. From August 2015 to December 2018, Dr. Du served as the chief executive officer and chief scientific officer of Meitaibao, a biotech company founded by Dr. Du himself, where he was primarily responsible for overseeing the R&D of the novel drugs and day-to-day management of the company. During such period, Dr. Du invented two drug candidates, dosimertinib and CL-197. For details of these two drug candidates, please refer to “Business” in this document.

Dr. Du graduated from Changzhou University (常州大學) (formerly known as Jiangsu University of Chemical Technology\* (江蘇化工學院)) in the PRC with a bachelor’s degree in organic chemical engineering in May 1982. He then graduated from Chinese Academy of Medical Sciences & Peking Union Medical College in the PRC (中國醫學科學院北京協和醫學院) (formerly known as China Union Medical College\* (中國協和醫科大學)) (“**Peking Union Medical College**”) with a doctor’s degree in science in December 1989. As of the Latest Practicable Date, Dr. Du had published 60 academic papers and participated in the invention of more than 300 patents registered worldwide, of which 40 patents had been registered in the United States.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Dr. Dang Qun (黨群)**, aged 61, was appointed as our executive Director on August 1, 2022. Dr. Dang joined our Group in March 2021 and has been serving as our president and chief business officer since then. He is primarily responsible for business development of our Group and the management of our Shanghai R&D Center.

Dr. Dang has over 31 years of experience in the pharmaceutical and biotech industry. Prior to joining our Group, from October 1992 to 2009, Dr. Dang served as the director of medicinal chemistry of Metabasis Therapeutics, Inc., a biopharmaceutical company principally engaged in discovery, development and commercialization of novel small molecule drugs (previously listed on NASDAQ (previous stock code: MBRX) and subsequently acquired by Ligand Pharmaceuticals Incorporated, a biopharmaceutical company principally engaged in developing technologies to help pharmaceutical companies discover and develop medicines which is listed on NASDAQ (stock code: LGND), on January 28, 2010), where he was primarily responsible for leading the R&D projects of novel drugs. From 2009 to 2016, Dr. Dang served as the director of external collaborative drug discovery projects of Merck Sharp & Dohme Corp., a biopharmaceutical company principally engaged in discovering and developing medicines, vaccines, and other health products, where he was primarily responsible for R&D projects of novel drugs. From February 2016 to March 2018, Dr. Dang served as the Asia head of external innovation for endocrine and cardiovascular system in the Lilly China Research and Development Centre of Eli Lilly and Company, a pharmaceutical company principally engaged in researching and developing innovative drugs and listed on the New York Stock Exchange (stock code: LLY), where he was primarily responsible for the business development in Asia Pacific region. From April 2018 to June 2019, Dr. Dang served as the vice president of Qilu Pharmaceutical Co., Ltd. (齊魯製藥有限公司), a pharmaceutical company principally engaged in the development, manufacturing and marketing of active pharmaceutical ingredients and finished formulations, where he was primarily responsible for business development. From June 2019 to February 2021, Dr. Dang served as the vice president of CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd.\* (石藥集團中奇製藥技術(石家莊)有限公司), a wholly-owned subsidiary of CSPC Pharmaceutical Group Limited (石藥集團有限公司), a company listed on the Stock Exchange (stock code: 1093) and principally engaged in the development of pharmaceutical products, where he was primarily responsible for R&D of innovative drugs.

Dr. Dang graduated from Jilin University (吉林大學) in the PRC with a bachelor’s degree in polymer chemistry in July 1985, and obtained a Ph.D degree from Purdue University in the United States in December 1992. Dr. Dang was awarded with the second prize of Jilin Science and Technology Award (吉林省科學技術獎) by Jilin Science and Technology Award Committee\* (吉林省科學技術獎勵委員會) on November 12, 2021 for his contribution to the project of the application of new carbonation chemical synthesis technology in drug R&D.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wang Lin** (王琳), former name Wang Jialin (王稼霖), aged 43, was appointed as our Director on September 26, 2019 and was re-designated as our executive Director on August 1, 2022. Mr. Wang joined our Group in July 2015 and has been serving as the executive director and legal representative of Henan Genuine since September 2018. He has also been serving as the head of our Board office since June 2023. He is primarily responsible for the administrative management and assisting the chairman in setting strategic goals and planning of our Group.

Mr. Wang has over ten years of experience in corporate management. Prior to joining our Group, from October 2009 to October 2011, Mr. Wang successively served as a deputy director and director of general office at Henan Fenglin Industrial Group Co., Ltd.\* (河南豐麟實業集團有限公司) (“**Henan Fenglin**”), a company principally engaged in investment in metallurgy, energy and technology development projects, where he was primarily responsible for its administrative management and public relations. From February 2011 to October 2012, Mr. Wang was assigned by Henan Fenglin to serve as the general manager of Henan Jiayuan Dairy Co., Ltd.\* (河南佳源乳業股份有限公司) (“**Henan Jiayuan**”), a provincial leading agricultural industrialization pilot unit which was controlled by the then shareholders of Henan Fenglin and was principally engaged in the production of dairy and bakery products, where he was primarily responsible for its overall operational management. During his tenure in Henan Jiayuan, Mr. Wang Lin led Henan Jiayuan to achieve a significant increase in sales between 2010 to 2012 by adopting a new “milk + bread” compound retail store model and served as a director, legal representative and/or sole proprietor for nine compound retail stores of Henan Jiayuan during his tenure. From July 2015 to October 2018, Mr. Wang served as the assistant to the chairman of the board of Xingyu Zhongke, primarily responsible for assisting the chairman of the board in handling company affairs and managing the administrative work of the company. Since November 2018, Mr. Wang has been serving as the deputy general manager of Xingyu Zhongke, primarily responsible for administration and legal affairs, including the preliminary preparation of pharmaceutical investment projects and the production base construction. Since April 2020, Mr. Wang has been primarily responsible for administration and legal affairs, including assisting the chairman of the board in handling the business operation and outreach affairs of the company.

Mr. Wang graduated from Zhengzhou University (鄭州大學) in the PRC in accounting through online learning in August 2015.

Mr. Wang was a director or the sole proprietor of the following company and enterprises which were established as self-operated sales channels of Henan Jiayuan during his tenure in Henan Jiayuan for the purpose of its business expansion and were voluntarily dissolved due to the change of business plan of Henan Jiayuan:

<b>Name of company or enterprise</b>	<b>Place of establishment</b>	<b>Nature of business</b>	<b>Details of the proceeding involved</b>
Henan Yishengduo Food Co., Ltd.* (河南益聖多食品有限公司)	PRC	Production and sales of cold and hot beverage	Dissolved on September 13, 2013



## DIRECTORS AND SENIOR MANAGEMENT

Name of company or enterprise	Place of establishment	Nature of business	Details of the proceeding involved
Zhengzhou Erqi District Wanglin Bakery* (鄭州市二七區王琳蛋糕店)	PRC	Sales of bread, cake, pastry and moon cake	Dissolved on April 12, 2013
Weidong District Xintian Jiayuan Food Shop* (衛東區新田佳原食品店)	PRC	Sales of prepackaged food and dairy products (infant formula milk excluded)	Dissolved on July 14, 2012
Zhengzhou Zhongyuan Jiayuan Ranch Bakery* (鄭州市中原區佳源牧場麵包房)	PRC	Sales of bread, cake and prepackaged food	Dissolved on May 12, 2013
Pingdingshan Xinhua District Jingcheng Jiayuan Ranch Bakery* (平頂山市新華區京城佳源牧場蛋糕房)	PRC	Sales of bread, cake, prepackaged food and dairy products (infant formula milk powder excluded)	Dissolved on December 6, 2012
Sole proprietorship No. 411122617328107	PRC	Sales of prepackaged food, bulk food and dairy products (infant formula milk powder excluded)	Dissolved on December 23, 2012
Sole proprietorship No. 411122617323805	PRC	Sales of prepackaged food, bulk food and dairy products (infant formula milk powder excluded)	Dissolved on April 11, 2017
Henan Yishengduo Food Co., Ltd. University Road Branch* (河南益聖多食品有限公司大學路店)	PRC	Production and sales of cold and hot beverage	Dissolved on May 10, 2013
Henan Yishengduo Food Co., Ltd. Jiaotong Road Branch* (河南益聖多食品有限公司交通路店)	PRC	Production and sales of cold and hot beverage	Dissolved on April 15, 2013

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wang confirmed that each of the above company and enterprises was solvent prior to its dissolution and no claims had been made against him and he was not aware of any threatened or potential claims made against him in connection with the dissolution of the above company and enterprises as of the Latest Practicable Date. He also confirmed that there are no outstanding claims and/or liabilities as a result of the dissolution of the above company and enterprises.

### Non-executive Directors

**Mr. Zhu Jinqiao (朱晉橋)**, aged 58, was appointed as our Director on April 12, 2022 and re-designated as our non-executive Director on August 1, 2022. He is mainly responsible for providing guidance and overseeing management and operations of our Group.

Mr. Zhu has over 27 years of experience in investment and entrepreneurship consulting. Prior to joining our Group, from November 1996 to May 2008, Mr. Zhu served as the chairman of the board and general manager of Shenzhen Langfeng Industry Development Co., Ltd.\* (深圳市朗峰投資發展有限公司), a company principally engaged in business investment, where he was primarily responsible for making major decisions such as development plan and investment plan. From August 2007 to August 2020, Mr. Zhu served as the chairman of the board and general manager of Shenzhen Efung Venture Capital Co., Ltd.\* (深圳市倚鋒創業投資有限公司), a company principally engaged in venture capital investment and entrepreneurship consulting, where he was primarily responsible for making major decisions such as development plan and investment plan. Since March 2012, Mr. Zhu has been serving as the controller of Efung Capital, one of our [REDACTED] Investors, where he is primarily responsible for leading and managing the company team, making decisions on major issues and managing partnership affairs of the funds.

Mr. Zhu graduated from School of Information Communication of Chinese People’s Liberation Army National University of Defense Technology\* (中國人民解放軍國防科技大學信息通信學院) (formerly known as Chinese People’s Liberation Army Communication Command College\* (中國人民解放軍通信指揮學院)) in the PRC in June 2010 in communication and information system management. Mr. Zhu also obtained an executive master of business administration degree from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2011 and an executive master of business administration degree from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2015. Mr. Zhu obtained the China Securities Investment Fund Industry Practice Certificate (中國證券投資基金業從業證書) from the Asset Management Association of China (中國證券投資基金業協會) in the PRC in May 2018.

Mr. Zhu has obtained a number of awards, including the “2019-2020 Top 10 Investors in China’s Healthcare Industry (2019-2020年度中國醫療健康產業十佳投資人物)” granted by Chinese Venture (融資中國) in August 2020, one of the “2020 Best Investors in Healthcare Industry (2020年度醫療健康行業最佳投資人)” granted by Securities Times (證券時報) in August 2020, “2020 China Shenzhen Venture Capital Leaders (2020年度中國深圳創投領袖人物)” granted by Shenzhen Investment Chamber of Commerce\* (深圳市投資商會) in March

## DIRECTORS AND SENIOR MANAGEMENT

2021, “2020 Best Investors in the General Health Field (2020年度大健康領域最佳投資人)” granted by Investors.cn.com (投資家網) in April 2021, “2020-2021 Top 20 Chinese Healthcare Investors (2020-2021年度中國醫療健康投資人物TOP20)” granted by Chinese Venture (融資中國) in July 2021, “2021 Best Investors in Healthcare Industry (2021年度醫療健康行業最佳投資人)” granted by Securities Times in August 2021, “2020 Top 100 Best Venture Capital Investors in China (2020年度中國最佳創業投資人TOP 100)” granted by CVINFO (投中信息) in September 2021, the “2022 Top 50 Most Influential Investors” (2022年度最具影響力投資人TOP50) granted by China Healthcare Consulting (CHC醫療諮詢) and Citic Securities (中信證券) in April 2023 and the “2023 Top 30 Most Influential Investors in China” (2023年中國最具影響力的30位投資人) granted by FORTUNE (《財富》) and Zero2IPO Research (清科研究中心) in November 2023.

Mr. Zhu was a director or executive partner of the following companies and partnership which were dissolved during the period when he was one of their directors or executive partner:

Name of company or partnership	Place of establishment	Nature of business	Details of the proceeding involved
Xinyu Yijin Investment Management Center (Limited Partnership) * 新余易金投資管理中心 (有限合夥)	PRC	Business investment	Dissolved on January 17, 2018
Shenzhen Tongyong Lianke Investment Co., Ltd.* (深圳市通用聯科投資有限公司)	PRC	Business investment	Dissolved on January 6, 2009
Suzhou Keshan Micro-Electronics Co., Ltd.* (蘇州科山微電子科技有限公司)	PRC	Design, R&D and sales of semiconductor integrated circuit	Dissolved on October 24, 2017
Guangzhou Liansuo Network Technology Co., Ltd.* (廣州市聯索網絡科技有限公司)	PRC	R&D and technical services of computer network technology, wholesale and retail trade and internet information service	Dissolved on June 19, 2014

## DIRECTORS AND SENIOR MANAGEMENT

<u>Name of company or partnership</u>	<u>Place of establishment</u>	<u>Nature of business</u>	<u>Details of the proceeding involved</u>
Shenzhen Langfeng Investment Development Co., Ltd.* (深圳市朗峰投資發展有限公司)	PRC	Business investment and domestic trade	Dissolved on September 14, 2011
Shenzhen Langfeng Property Management Co., Ltd.* (深圳市朗峰物業管理有限公司)	PRC	Property management	Dissolved on March 31, 2011

Mr. Zhu confirmed that each of the above companies and partnership was solvent prior to its dissolution and no claims had been made against him and he was not aware of any threatened or potential claims made against him in connection with the dissolution of the above companies and partnership as of the Latest Practicable Date. He also confirmed that, there are no outstanding claims and/or liabilities as a result of the dissolution of the above companies and partnership.

**Dr. Li Jue (李聚合)**, aged 58, was appointed as our non-executive Director on May 1, 2024. He is mainly responsible for providing guidance and overseeing management and operations of our Group.

Dr. Li has over 32 years of experience in the financial industry. From July 1991 to September 2008, Dr. Li served as an assistant researcher and researcher at Finance Department of the National Development and Reform Commission\* (國家發展和改革委員會財政金融司), a ministerial-level department of the State Council, where he participated in securities policy research and management. From October 2008 to December 2011, Dr. Li served as the deputy mayor of Xianyang Municipal People’s Government of Shaanxi Province\* (陝西省咸陽市人民政府), where he was primarily responsible for the management of government affairs, including overseeing the municipal price bureau, government affairs information office, financial work office and the financing of government investment projects. From January 2012 to March 2017, Dr. Li successively served as the deputy inspector and deputy director general of the Finance Department of the National Development and Reform Commission, where he was primarily responsible for the management of corporate securities issuance and social credit system construction. From April 2017 to March 2019, Dr. Li served as the vice chairman of the board of directors at China Fund Management Co., Ltd.\* (中信建投基金管理有限公司), a company principally engaged in fund raising and asset management, where he was primarily responsible for strategic design and business planning. Since July 2019, Dr. Li has been serving as the managing partner at Beijing Shangrong Capital Management Co., Ltd.\* (北京尚融資本管理有限公司), a company principally engaged in investment and asset management, where he was primarily responsible for equity investment, mergers and acquisitions. From October 2019 to October 2023, Dr. Li served as the chairman of the board of directors at Lianrun Credit

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## DIRECTORS AND SENIOR MANAGEMENT

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Services Co., Ltd\* (聯潤信用服務有限公司), a company principally engaged in collection and evaluation of enterprise credit, where he was primarily responsible for its enterprise credit management consultation service. Since May 2020, Dr. Li has been serving as an independent director and member of the strategy committee and remuneration committee at China CYTS Tours Holding Co., Ltd.\* (中青旅控股股份有限公司), a company principally engaged in tourism services whose shares are listed on the Shanghai Stock Exchange (stock code: 600138), where he is primarily responsible for providing independence advice on its management and operation.

Dr. Li graduated from Peking University (北京大學) in the PRC with a bachelor’s degree in economics in July 1988. He also obtained a master’s degree and a doctor’s degree in economics from Renmin University of China (中國人民大學) in the PRC in June 1991 and January 2007, respectively.

Dr. Li was a director and manager of Quanlian (Beijing) Capital Management Co., Ltd.\* (全聯(北京)資本管理有限公司) (“**Quanlian Capital**”) which had not commenced any business since its establishment and was dissolved on February 22, 2023. Dr. Li confirmed that Quanlian Capital was solvent prior to its dissolution and no claims had been made against him and he was not aware of any threatened or potential claims made against him in connection with the dissolution of Quanlian Capital as of the Latest Practicable Date. He also confirmed that there are no outstanding claims and/or liabilities as a result of the dissolution of Quanlian Capital.

### Independent non-executive Directors

**Dr. He Ruyi** (何如意), aged 63, was appointed as our independent non-executive Director on August 1, 2022 and is responsible for providing independent advice on the management and operations of our Group.

Dr. He has over 24 years of experience in medical and pharmaceutical industries. From 1999 to May 2016, Dr. He served at the Center for Drug Evaluation and Research of the Food and Drug Administration in the United States in various capacities, including medical officer, medical team leader and subsequently the acting deputy director of the Division of Gastroenterology and Inborn Error Products. From July 2016 to 2018, Dr. He served as the chief scientist of the Center for Drug Evaluation, NMPA (國家食品藥品監督管理總局藥品審評中心) in the PRC, where he was primarily responsible for participating in the reform of drug evaluation and approval system in the PRC and supervising assessments related to the safety, effectiveness and quality of innovative drugs. Since 2018, Dr. He has been serving as the chief scientist of life science at SDIC Fund Management Co., Ltd.\* (國投創新投資管理有限公司), a company principally engaged in investment management and consulting, where he is primarily responsible for providing advice on investment decisions in the life science fields. Dr. He served as the executive director, chief medical officer and head of clinical research of RemeGen Co., Ltd.\* (榮昌生物製藥(煙台)股份有限公司) (“RemeGen”), a biopharmaceutical company principally engaged in producing and developing innovative drugs and listed on the Stock Exchange (stock code: 09995) and the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688331), from May 2020 to August 2024, where he was

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## DIRECTORS AND SENIOR MANAGEMENT

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primarily responsible for management of clinical medical affairs. From August 2024 to February 2025, Dr. He served as a director and chief strategy officer at RemeGen, where he was primarily responsible for the strategic planning. Dr. He also served as the independent director of BrightGene Bio-Medical Technology Co., Ltd.\* (博瑞生物醫藥(蘇州)股份有限公司), an innovative pharmaceutical company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688166), from September 2023 to September 2024, and has been serving as the independent director of Suzhou Zelgen Biopharmaceuticals Co., Ltd. (蘇州澤璟生物製藥股份有限公司), a company principally engaged in researching, developing, producing innovative drugs and listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688266), since February 2019.

Dr. He graduated from China Medical University (中國醫科大學) in the PRC with bachelor’s and master’s degrees in medicine in August 1983 and July 1986, respectively. Dr. He graduated from Howard University in the United States with a certification of postgraduate medical education in internal medicine in June 1999. Dr. He was once certified as a diplomate in internal medicine in the United States in 1999, and was licensed as a medical doctor in the State of Virginia from October 1998 to March 2006, and in the State of West Virginia from March 2015 to September 2020 in the United States.

**Ms. Leung Bik San (梁碧珊)**, aged 54, was appointed as our independent non-executive Director on [●], 2025 and is responsible for providing independent advice on the management and operations of our Group.

Ms. Leung has over 30 years of experience in audit, capital market, regulatory and compliance and corporate finance. From February 1993 to January 1997, Ms. Leung served as an audit assistant, audit senior and subsequently the audit supervisor of Grant Thornton Byrne, an accounting firm, where she was primarily responsible for providing audit services. From January 1997 to April 2001, Ms. Leung served at KPMG, an international accounting firm, with her last position as the manager, where she was primarily responsible for audit management and financial reports. From April 2001 to October 2009, Ms. Leung served at Fox-Pitt, Kelton (Asia) Limited, an investment bank, where she was primarily responsible for overseeing the business operation and financial management. From November 2009 to October 2012, Ms. Leung served at Keefe, Bruyette & Woods Asia Limited, an investment bank, with her last position as the chief operating officer, where she was primarily responsible for overseeing the overall operations and formulating business strategies. Since January 2013, Ms. Leung has been serving as the chief financial officer at Canaccord Genuity (Hong Kong) Limited, a financial service provider, where she is primarily responsible for the overall financial management and operational management of the Hong Kong office. Ms. Leung has also been serving as the independent non-executive director of Lushang Life Services Co., Ltd.\* (魯商生活服務股份有限公司, a property management service provider listed on the Stock Exchange (stock code: 02376), since June 2022.



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## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Leung graduated from University of New South Wales in Australia with a bachelor’s degree in commerce in April 1993. Ms. Leung received her master’s degree in business administration from University of Warwick in the United Kingdom in June 2009. Ms. Leung was certified as a certified practising accountant of the CPA Australia in May 1996 and a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in September 1996.

**Mr. Wang Jitao (王繼濤)**, aged 52, was appointed as our independent non-executive Director on [●], 2025 and is responsible for providing independent advice on the management and operations of our Group.

Mr. Wang has over 22 years of experience in the legal profession. Mr. Wang has been serving in Henan Yitianjian Law Firm\* (河南倚天劍律師事務所) as a lawyer since December 1999 and as a partner since September 2005, where he is primarily responsible for providing legal advice.

Mr. Wang held or holds various positions in public organizations, including an honorary professor of School of Law of Henan University of Urban Construction (河南城建學院) since May 2011, an expert member of Pingdingshan Social Organization Standardization Construction Evaluation Committee\* (平頂山市社會組織規範化建設評估委員會) since December 2012, a legal consultant of Political and Legal Committee of Pingdingshan Municipal Committee of the Chinese Communist Party\* (中共平頂山市委政法委員會) since March 2017, a member of the Eleventh Standing Committee of Pingdingshan Municipal People’s Congress (平頂山市第十一屆人民代表大會常務委員會) from September 2018 to January 2023, a member of the Expert Advisory Committee of Pingdingshan People’s Procuratorate\* (平頂山市人民檢察院專家諮詢委員會) since December 2018, a member of the Legal Advisory Committee of the Internal and Judicial Affairs Committee of the Eleventh Standing Committee of Pingdingshan Municipal People’s Congress\* (平頂山市第十一屆人大常委會內務司法工作委員會法律諮詢委員會) since August 2019, a member of the Working Committee of Henan Lawyers Association\* (河南省律師協會工作委員會) since May 2020, a law enforcement supervisor of the Public Security Bureau of Pingdingshan (平頂山市公安局) since September 2020, a business environment supervisor appointed by Pingdingshan Leading Group Office for Optimizing Business Environment\* (平頂山市優化營商環境工作領導小組辦公室) since July 2021, a member of the Twelfth Standing Committee of Pingdingshan Municipal People’s Congress (平頂山市第十二屆人民代表大會常務委員會) since January 2023 and a member of the Legislative Affairs Commission of the Twelfth Standing Committee of Pingdingshan Municipal People’s Congress (平頂山市第十二屆人民代表大會法制委員會) since January 2023.



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Mr. Wang graduated from The Open University of China (國家開放大學) (formerly known as Central Radio and Television University (中央廣播電視大學)) in the PRC in July 2003 in law. Mr. Wang was certified as a lawyer by Ministry of Justice of the PRC since 1999.

Mr. Wang has obtained a number of awards, including the “Pingdingshan Excellent Lawyer of 2004 (平頂山市2004年度優秀律師)” granted by Pingdingshan Bureau of Justice (平頂山市司法局) in April 2005, “Advanced Individual in the Standardized Construction Activities of Pingdingshan Partnership Law Firm of 2005 (2005年平頂山市合夥律師事務所規範建設年活動先進個人)” granted by Pingdingshan Lawyers Association\* (平頂山市律師協會) in January 2006, “Pingdingshan Excellent Lawyer (平頂山市優秀律師)” granted by Pingdingshan Bureau of Justice and Pingdingshan Lawyers Association in May 2014, “2013-2016 Excellent Criminal Defence Lawyer of Henan Province (2013-2016年度河南省優秀刑辯律師)” granted by Henan Lawyers Association\* (河南省律師協會) in February 2017, and “The First Outstanding Talents of Pingdingshan Municipal Political and Legal System (平頂山市政法系統第一屆優秀人才)” granted by the Political and Legal Committee of Pingdingshan Municipal Committee of the Chinese Communist Party in December 2017.

Each of our Directors has confirmed that he/she obtained the legal advice on February 14, 2025 with regards to the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange as set out in Rule 3.09D of the Listing Rules and he/she understood his/her obligations as a director of a listed issuer.

Each of our independent non-executive Directors has confirmed his/her independence with regards to each of the factors as set out in Rule 3.13(1) to (8) of the Listing Rules and that there are no other factors that may affect his/her independence at the time of his/her appointment.

### SENIOR MANAGEMENT

**Dr. Luo Feng (羅鋒)**, aged 60, joined our Group on September 1, 2024 and has been serving as our senior vice president and chief development officer since then. He is mainly responsible for the management of our Beijing R&D Center (including departments of translational medicine, clinical medicine, clinical operation, data statistics, registration application and pharmacovigilance).

Dr. Luo has over 32 years of experience in pharmacology research and pharmaceutical industry, particularly in oncology. He led or supported multiple NDA programs for innovative drugs, most notably Loncastuximab tesirine, a CD-19 ADC for lymphoma, Abivertinib, an EGFR inhibitor for lung cancer, Erdafitinib, an FGFR inhibitor for urothelial cancer, and Dasatinib, a BCR-ABL inhibitor for leukemia. He held key leadership positions in certain biopharmaceutical enterprises, with a wealth experience in translational medicine, clinical development and executive management. From 1998 to 1999, Dr. Luo worked in some departments of universities. After that, in 2000, Dr. Luo served at Roche, a pharmaceutical company listed on the SIX Swiss Exchange (stock code: ROG). From 2000 to 2007, Dr. Luo

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## DIRECTORS AND SENIOR MANAGEMENT

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served at Bristol-Myers Squibb, a biopharmaceutical company listed on the New York Stock Exchange (stock code: BMY). From 2007 to 2009, Dr. Luo served as a senior director at the department of translational medicine and clinical pharmacology in Daiichi Sankyo, a pharmaceutical company listed on the Tokyo Stock Exchange (stock code: 4568), where he was the clinical leader of an early development program. From 2009 to 2017, Dr. Luo served as a director of oncology R&D and a senior leadership team member of experimental medicine and early development at Johnson & Johnson, a healthcare company listed on the New York Stock Exchange (stock code: JNJ), where he was primarily responsible for leading high priority oncology therapeutic programs and developing its Asian early development R&D group. From 2017 to 2018, Dr. Luo served at ACEA Bioscience Inc., a developer of cutting-edge cell analysis tools which was later acquired by Agilent Technologies Inc., a global leader in life sciences, diagnostics, and applied chemical markets listed on the New York Stock Exchange (stock code: A). From 2018 to 2019, Dr. Luo served at ACEA Therapeutics, a clinical-stage pharmaceutical company. From 2019 to 2020, he served at Adagene (天演藥業), a clinical-stage immunotherapy company listed on NASDAQ (stock code: ADAG). From July 2020, Dr. Luo served as the chief clinical development officer and senior VP at Ionova Life Science (原力生命科學). From August 2021 to September 2024, Dr. Luo served as the chief development officer at Overland Pharmaceuticals (瓴路藥業), a biopharma platform company focused on advanced modalities through strategic partnering and in-house R&D, where he was primarily responsible for the overall management of its preclinical, clinical and R&D teams.

Dr. Luo graduated from Peking University (北京大學) in the PRC with a bachelor’s degree in biochemistry in July 1986. He further obtained the master’s degree of science from Bowling Green State University in the United States in August 1991 and a Ph.D. degree in clinical cancer pharmacology from The University of North Carolina at Chapel Hill in the United States in May 1998.

**Dr. Guo Chang Yue (郭昌月)**, aged 62, joined our Group on May 1, 2019 and has been serving as our vice president since then. He is mainly responsible for the R&D of macromolecular drugs and the administrative management of Shenzhen Genuine.

Dr. Guo has over 30 years of experience in the clinical and medicine field. Prior to joining our Group, from September 1992 to 1994, Dr. Guo served as an assistant professor (助理研究員) of Peking Union Medical College (北京協和醫學院), where he was primarily responsible for medical research. From 1994 to 2009, Dr. Guo served at University of Virginia Health System in the United States, where he was primarily responsible for medical research and clinical work. From March 2016 to July 2019, Dr. Guo served as a physician and the international medical center director of Shenzhen Vista-SK International Medical Co., Ltd.\* (深圳維世達勝凱國際有限公司), where he was primarily responsible for providing clinical treatment.

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Dr. Guo graduated from School of Medicine, Wuhan University\* (武漢大學醫學部) (formerly known as Hubei Medical College\* (湖北醫學院)) in the PRC with a bachelor’s degree in medicine in August 1983. Dr. Guo received his master’s degree in medicine from China Medical University (中國醫科大學) in the PRC in July 1988. Dr. Guo graduated from Peking Union Medical College in the PRC in August 1992, where he majored in pharmacology as a Ph.D student. Dr. Guo obtained a doctor’s degree of medicine from Ross University School of Medicine in the United States in March 2014. As of the Latest Practicable Date, Dr. Guo had published 15 high-quality academic papers in international authoritative academic journals and held multiple invention patents.

**Dr. Li Pan (李磐)**, aged 57, joined our Group on April 12, 2021 and has been serving as our vice president since then. He is mainly responsible for the R&D of small-molecule drugs of our Group.

Dr. Li has over 23 years of experience in R&D of novel drugs. Prior to joining our Group, from August 2000 to February 2017, Dr. Li served as a research fellow at Vertex Pharmaceuticals, Inc., a company principally engaged in developing and commercializing therapies for the treatment of cystic fibrosis and listed on NASDAQ (stock code: VRTX), where he was primarily responsible for design and synthesis of novel drugs. From July 2017 to August 2019, Dr. Li served as the executive director of the medicinal chemistry department of Adlai Nortye Biopharma Co., Ltd. (杭州阿諾生物醫藥科技有限公司), a company principally engaged in R&D of pharmaceuticals and listed on NASDAQ (stock code: ANL), where he was primarily responsible for research. From September 2019 to April 2021, Dr. Li served as the vice general manager of Shanghai Yishi Medical Technology Co., Ltd.\* (上海翊石醫藥科技有限公司), a subsidiary of CSPC Pharmaceutical Group Limited, a pharmaceutical company listed on the Stock Exchange (stock code: 1093), where he was primarily responsible for R&D of small-molecule novel drugs.

Dr. Li graduated from University of Science and Technology of China (中國科學技術大學) in the PRC with a bachelor’s degree in polymer chemistry in July 1988, and obtained a Ph.D degree from New York University in the United States in September 1998.

### COMPANY SECRETARY

**Ms. Leung Wai Yan (梁慧欣)**, was appointed as the company secretary of our Company on August 1, 2022 and is responsible for company secretarial matters of our Company.

Ms. Leung has over 16 years of experience in providing company secretarial services and compliance services to listed companies and private companies. Since November 2020, she has been serving at Vistra Corporate Services (HK) Limited, a company principally engaged in providing corporate business services, with her current position as the manager, where she is primarily responsible for providing full range of company secretarial services. Ms. Leung is currently serving as the company secretary at Akeso, Inc. (康方生物科技(開曼)有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 9926), and a joint company secretary at Cryofocus Medtech (Shanghai) Co., Ltd. (康灃生物科技(上海)股份有限

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## DIRECTORS AND SENIOR MANAGEMENT

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公司), a company listed on the Main Board of the Stock Exchange (stock code: 6922), Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1238) and Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 9909).

Ms. Leung obtained a master of laws majoring in corporate and financial law from The University of Hong Kong in July 2024 and graduated from University of South Australia in Australia with a bachelor’s degree in business (administrative management) in April 2004. Ms. Leung has been an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute in the United Kingdom since October 2009.

### BOARD COMMITTEES

Our Board [has established] the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these three committees, which assist our Board in discharging its duties and overseeing particular aspects of our activities.

#### Audit Committee

We established the Audit Committee on [●], 2025 pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with paragraph D.3 of Part 2 of the Corporate Governance Code (“CG Code”) as set forth in Appendix C1 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Wang Jitao, Ms. Leung Bik San and Dr. Li Juhe. Mr. Wang Jitao is the chairman of the Audit Committee. Ms. Leung Bik San has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee are to provide an independent view of the effectiveness of our financial reporting, risk management and internal control systems, oversee our audit process, develop and review policies and perform other duties and responsibilities as assigned by our Board.

#### Remuneration Committee

We established the Remuneration Committee on [●], 2025 pursuant to Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph E.1 of Part 2 of the CG Code as set forth in Appendix C1 to the Listing Rules. The Remuneration Committee consists of three members, namely Dr. He Ruyi, Mr. Wang Jitao and Dr. Li Juhe. Dr. He Ruyi is the chairman of the Remuneration Committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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The primary duties of the Remuneration Committee are to (i) establish, review and advise our Board on our policy and structure of remuneration of our Directors and senior management; (ii) establish a formal and transparent procedure for developing policies concerning such remuneration; (iii) determine the terms of remuneration packages for each Director and senior management officer; and (iv) review and approve performance-based remuneration by reference to corporate goals and objectives as resolved by our Directors from time to time.

### Nomination Committee

We have established the Nomination Committee on [●], 2025 pursuant to Rule 3.27A of the Listing Rules with written terms of reference in compliance with paragraph B.3 of Part 2 of the CG Code as set forth in Appendix C1 to the Listing Rules. The Nomination Committee consists of three members, namely Dr. Du Jinfa, Ms. Leung Bik San and Dr. He Ruyi. Dr. Du Jinfa is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations regarding any proposed changes to its composition; (ii) identify, select or make recommendations to our Board on the selection of nominees for directorship; (iii) ensure the diversity of our Board; (iv) assess the independence of our independent non-executive Directors; and (v) make recommendations to our Board on relevant matters relating to the appointment, re-appointment, removal and succession of our Directors.

### BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company’s strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Directors have a balanced mix of knowledge, skills and experiences, including R&D and production of pharmaceuticals, corporate management, investment and entrepreneurship consulting, audit, regulatory and compliance, corporate finance and legal professional skills. Members of our board have obtained degrees in various majors including organic chemical engineering, science, polymer chemistry, medicine, commerce, economics, business administration, law, accounting, communication and information system management. Furthermore, the ages of our Directors range from 43 years old to 70 years old.

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## DIRECTORS AND SENIOR MANAGEMENT

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Regarding the gender diversity on our Board, we recognize the particular importance of gender diversity. Our Board currently comprises one female Director and seven male Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our board diversity policy provides that our Board should aim to increase the proportion of female members over time after [REDACTED] where possible when selecting and making recommendations on suitable candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the expectations of stakeholders and international and local recommended best practices.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After [REDACTED], our Nomination Committee will review our board diversity policy and its implementation from time to time to monitor its continued effectiveness and we will disclose the implementation of our board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives, in our corporate governance report on an annual basis.

### KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into employment contracts, confidentiality and non-competition agreements with our senior management members and other key personnel. Below sets forth the key terms of these contracts we enter into with our senior management and other key personnel.

#### **Term**

- We usually enter into a three-year employment contract with our senior management members and other key personnel. Either party may terminate the employment contract by giving not less than one month's written notice to the other party.

#### **Confidentiality**

- The employee shall not copy, take away or disseminate outside our Group any documents, records, memos, plans, drawings, customer lists, financial information, supplier information or marketing materials and shall return the same together with any information related to the work results during the employment period to our Group upon termination of the employment contract.
- During the term of the employment contract and within two years upon termination of the employment contract, the employee shall keep in confidence and shall not disclose to any person without the written consent of our Group, among other things, any information related to planning and design, product R&D, work results, company management systems, work processes, marketing plans, real estate or assets information and any other confidential information related to our Group.



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## DIRECTORS AND SENIOR MANAGEMENT

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### Non-competition

- We have entered into non-competition agreements with our key employees, according to which our key employees may not conduct business in direct or indirect competition with us during the term of their employment and may not compete with us (in the ways stipulated in the agreements) in China for two years after the termination of such employment.

### CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of our Shareholders. To accomplish this, our Company expects to comply with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules and the relevant Listing Rules after [REDACTED], save for the deviation as mentioned below. Any deviation from the code provisions shall be carefully considered, and the reasons for any deviation and explanation of how good corporate governance was achieved by means other than strict compliance with the code provisions shall be given in the interim report and the annual report in respect of relevant period.

According to code provision C.2.1 of Part 2 of the CG Code in Appendix C1 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Du is currently the chairman and chief executive officer of our Company. In view of the fact that Dr. Du has been assuming the responsibilities in the overall management and R&D of our Group since January 2019, our Board believes that it is in the best interest of our Group to have Dr. Du taking up both roles for effective management and operations. Therefore, our Directors consider that the deviation from such code provision is appropriate. Notwithstanding such deviation, our Directors are of the view that our Board is able to work efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions will be made in consultation with members of our Board and the relevant Board committees, and there are three independent non-executive Directors on our Board offering independent perspective, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within our Board. Our Board shall nevertheless review the structure and composition of our Board and senior management from time to time in light of prevailing circumstances to maintain a high standard of corporate governance practices of our Company.



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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

The aggregate remuneration (including fees, salaries, bonuses, allowances and benefits in kind, equity-settled share-based payment expenses and pension scheme contributions) paid to our Directors for each of the two years ended December 31, 2024 was RMB15.4 million and RMB10.4 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for such periods.

The aggregate remuneration (including salaries, bonuses, allowances and benefits in kind, equity-settled share-based payment expenses and pension scheme contributions) paid to our five highest paid individuals for each of the two years ended December 31, 2024 was RMB19.7 million and RMB15.3 million, respectively.

Save for the compensation of RMB1,000,000 for loss of office paid to each of Mr. Liu Yong, our former executive Director and vice president, and Ms. He Binyuan, our former vice president, no remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office for the two years ended December 31, 2024. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including salaries, bonus, housing allowance, contributions to pension plans, other allowances and benefits in kind) to our Directors for the year ending December 31, 2025 is estimated to be no more than approximately RMB11.5 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management officers with, following the [REDACTED], the benefit of recommendations from the Remuneration Committee. Our Remuneration Committee will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

### COMPLIANCE ADVISOR

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Guotai Junan Capital Limited as our compliance advisor. We expect that our compliance advisor will, amongst other things, advise our Company with due care and skill in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;

## DIRECTORS AND SENIOR MANAGEMENT

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- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues, sales or transfers of treasury shares and share buybacks;
- 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
- where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance advisor shall commence on the [REDACTED] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED].

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme), have interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date and immediately prior to the completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>		Shares held immediately following the completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>	
		Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Tri-Link Ventures <sup>(2)(3)</sup>	Beneficial owner	125,600,000 Shares (L)	46.89%	[REDACTED] Shares (L)	[REDACTED]%
	Interest in a controlled corporation	3,300,000 Shares (L)	1.23%	[REDACTED] Shares (L)	[REDACTED]%
Mr. Wang <sup>(2)(3)</sup>	Interest in controlled corporations	128,900,000 Shares (L)	48.12%	[REDACTED] Shares (L)	[REDACTED]%
Modern Target <sup>(4)</sup>	Beneficial owner	47,000,000 Shares (L)	17.55%	[REDACTED] Shares (L)	[REDACTED]%
Dr. Du <sup>(4)(5)</sup>	Interest in a controlled corporation	47,000,000 Shares (L)	17.55%	[REDACTED] Shares (L)	[REDACTED]%
Ms. Gao Zhiling <sup>(5)</sup>	Interest of spouse	47,000,000 Shares (L)	17.55%	[REDACTED] Shares (L)	[REDACTED]%
Efung Capital <sup>(6)</sup>	Interest in controlled corporations	11,600,000 Series A Preferred Shares (L)	4.33%	[REDACTED] Shares (L)	[REDACTED]%
		15,138,455 Series B Preferred Shares (L)	5.65%		
Shenzhen Efung Venture Capital <sup>(6)</sup>	Interest in controlled corporations	11,600,000 Series A Preferred Shares (L)	4.33%	[REDACTED] Shares (L)	[REDACTED]%
		15,138,455 Series B Preferred Shares (L)	5.65%		

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date and immediately prior to the completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>		Shares held immediately following the completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>	
		Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Shenzhen Efung Holding <sup>(6)</sup>	Interest in controlled corporations	11,600,000	4.33%	[REDACTED]	[REDACTED]%
		Series A Preferred Shares (L)		Shares (L)	
Mr. Zhu Jinqiao <sup>(6)</sup>	Interest in controlled corporations	18,896,089	7.05%		
		Series B Preferred Shares (L)			
		11,600,000	4.33%	[REDACTED]	[REDACTED]%
		Series A Preferred Shares (L)		Shares (L)	
		18,896,089	7.05%		
		Series B Preferred Shares (L)			

*Notes:*

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Tri-Link Ventures is wholly owned by Mr. Wang. By virtue of the SFO, Mr. Wang is deemed to be interested in the Shares held by Tri-Link Ventures.
- (3) Creative Summit held 3,300,000 Shares as of the Latest Practicable Date and will continue to hold such amount of Shares immediately after completion of the [REDACTED] for the benefit of eligible persons entitled to receive a grant of the RSUs in accordance with the terms of the RSU Scheme. The RSU Scheme Trust is a fixed trust. Mr. Wang is the trustee of the RSU Scheme Trust. Creative Summit is wholly owned by Tri-Link Ventures, which in turn is wholly owned by Mr. Wang. By virtue of the SFO, each of Tri-Link Ventures and Mr. Wang is deemed to be interested in the Shares held by Creative Summit.
- (4) Modern Target is wholly owned by Dr. Du. By virtue of the SFO, Dr. Du is deemed to be interested in the Shares held by Modern Target.
- (5) Ms. Gao Zhiling and Dr. Du are spouses. By virtue of the SFO, Ms. Gao Zhiling is deemed to be interested in the Shares held by Dr. Du.
- (6) Efung Zhenai and Efung Zhenbo held 5,333,333 and 6,266,667 Series A Preferred Shares as of the Latest Practicable Date, respectively, which shall be converted into Ordinary Shares on a one-for-one basis upon [REDACTED]. Shanghai Zhenyong, Hainan Efung and Hangzhou Efung held 14,386,928, 3,757,634 and 751,527 Series B Preferred Shares as of the Latest Practicable Date, respectively, which shall be converted into Ordinary Shares on a one-for-one basis upon [REDACTED]. Each of Efung Zhenai, Efung Zhenbo, Shanghai Zhenyong and Hangzhou Efung is a limited partnership established in the PRC whose general partner is Efung Capital, which in turn is owned as to 51% by Shenzhen Efung Holding Group Co., Ltd.\* (深圳市倚鋒控股集團有限公司) (“**Shenzhen Efung Holding**”) and whose general partner is Shenzhen Efung Venture Capital Co., Ltd.\* (深圳市倚鋒創業投資有限公司) (“**Shenzhen Efung Venture Capital**”). Shenzhen Efung Holding is owned as to 54% by Mr. Zhu Jinqiao. Shenzhen Efung Venture Capital is owned as to 60% by Shenzhen Efung Holding and 40% by Mr. Zhu Jinqiao. Hainan Efung is a limited partnership established in the PRC whose

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## SUBSTANTIAL SHAREHOLDERS

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general partner is Hainan Efung Junma Private Equity Fund Management Co., Ltd.\* (海南倚鋒駿馬私募基金管理有限公司), which in turn is owned as to 70% by Shenzhen Efung Holding. By virtue of the SFO, (i) each of Efung Capital and Shenzhen Efung Venture Capital is deemed to be interested in the Shares held by Efung Zhenai, Efung Zhenbo, Shanghai Zhenyong and Hangzhou Efung; and (ii) each of Shenzhen Efung Holding and Mr. Zhu Jinqiao is deemed to be interested in the Shares held by Efung Zhenai, Efung Zhenbo, Shanghai Zhenyong, Hainan Efung and Hangzhou Efung.

If the [REDACTED] is fully exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Post-[REDACTED] Share Scheme, the interest of Tri-Link Ventures, Mr. Wang, Modern Target, Dr. Du, Ms. Gao Zhiling, Efung Capital, Shenzhen Efung Venture Capital, Shenzhen Efung Holding and Mr. Zhu Jinqiao in our Shares will be approximately [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]%, respectively.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme), have interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any 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.

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## SHARE CAPITAL

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The following is a description of the authorized share capital and share capital of our Company in issue as fully paid or credited as fully paid immediately prior to the completion of the [REDACTED] and the [REDACTED]:

		<u>Nominal value</u> (US\$)
<b>Authorized share capital:</b>		
[10,000,000,000]	Ordinary Shares of US\$0.0001 each	[1,000,000.0000]
19,958,038	Series A Preferred Shares of US\$0.0001 each	1,995.8038
42,388,062	Series B Preferred Shares of US\$0.0001 each	4,238.8062
<b>Shares in issue, fully paid or credited as fully paid, as of the date of this document:</b>		
205,500,000	Ordinary Shares	20,550.0000
19,958,038	Series A Preferred Shares (to be converted to Ordinary Shares on a one-for-one basis)	1,995.8038
42,388,062	Series B Preferred Shares (to be converted to Ordinary Shares on a one-for-one basis)	4,238.8062
<u>267,846,100</u>	Total	<u>26,784.6100</u>

## SHARE CAPITAL

The following is a description of the authorized share capital and share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account the exercise of the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme) and upon [REDACTED]:

		<u>Nominal value</u> (US\$)
<b>Authorized share capital:</b>		
[10,000,000,000]	Ordinary Shares of US\$0.0001 each <sup>(Note)</sup>	[1,000,000.0000]
<b>Shares in issue and to be issued, fully paid or credited as fully paid:</b>		
205,500,000	Ordinary Shares in issue as of the date of this document	20,550.0000
19,958,038	Ordinary Shares to be issued upon conversion of the Series A Preferred Shares (on a one-for-one basis)	1,995.8038
42,388,062	Ordinary Shares to be issued upon conversion of the Series B Preferred Shares (on a one-for-one basis)	4,238.8062
[REDACTED]	Ordinary Shares to be issued to the [REDACTED]	[REDACTED]
<u>[REDACTED]</u>	Ordinary Shares to be issued under the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u>	Total	<u>[REDACTED]</u>

*Note:* Upon full conversion of all the Series A Preferred Shares and Series B Preferred Shares into Ordinary Shares on the [REDACTED], all the Series A Preferred Shares and Series B Preferred Shares in the authorised share capital of the Company will be cancelled and diminished.

### ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED] and [REDACTED] are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme or any Shares which may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buy back Shares as described below.



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## SHARE CAPITAL

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### RANKINGS

The [REDACTED] will be ordinary shares in the share capital of our Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document save for the entitlement under the [REDACTED].

### GENERAL MANDATES TO ALLOT AND ISSUE NEW SHARES AND TO BUY BACK SHARES

Subject to the [REDACTED] becoming unconditional, general mandates have been granted to our Directors to allot and issue Shares and to buy back Shares. For details of such general mandates, please see “Appendix IV—Statutory and General Information—A. Further Information about our Company” to this document.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company will have only one class of Shares upon completion of the [REDACTED], namely ordinary shares, and each carries the same rights as with the other Shares.

As a matter of the Cayman Companies Act, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document.

### RSU SCHEME

Our Company granted certain RSUs. The principal terms of the RSU Scheme are summarized in “Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. RSU Scheme” to this document.

### POST-[REDACTED] SHARE SCHEME

Our Company [has conditionally adopted] the Post-[REDACTED] Share Scheme. The principal terms of the Post-[REDACTED] Share Scheme are summarized in “Appendix IV—Statutory and General Information—D. Share Incentive Schemes—2. Post-[REDACTED] Share Scheme” to this document.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our consolidated financial information included in “Appendix I—Accountants’ Report” to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see “Forward-looking Statements” and “Risk Factors” in this document.*

### OVERVIEW

We are an innovation-R&D-driven biotech company dedicated to the development, manufacturing and commercialization of novel drugs for the treatment of viral infections, oncological and cardio-cerebrovascular diseases. Our mission is to improve human health through genuine innovation, with a particular focus on the antiviral and anti-tumor fields, and to explore and address drug resistance in existing treatment options. We aim to find new and better treatment options to address unmet medical needs.

Leveraging our advanced technology platform and strong R&D capabilities, we have built a broad and competitive product pipeline, especially in the field of antiviral and anti-tumor drugs. We obtained conditional approvals of azvudine, our Core Product, from the NMPA for treating HIV infection and COVID-19 in China in July 2021 and July 2022, respectively.

During the Track Record Period, we generated revenue from our Core Product, azvudine mainly through our strategic cooperation with Fosun Pharmaceutical Industrial pursuant to the Fosun Pharma Agreements and the Amendment Agreement and recorded revenue of RMB344.2 million and RMB237.9 million in 2023 and 2024, respectively. In 2023 and 2024, we recorded net loss of RMB783.6 million and RMB40.0 million, respectively. The decrease in our net losses in 2024 as compared to 2023 was primarily attributable to a decrease in cost of sales.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands in September 2019. Our Company, as the holding company of our business, indirectly owns our operating subsidiaries in China. Our consolidated financial statements have been prepared on the historical cost convention except for certain financial instruments, which are measured at fair value. All intragroup transactions and balances are eliminated on consolidation.

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## FINANCIAL INFORMATION

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Our consolidated financial information has been prepared in accordance with IFRSs. All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been adopted by us in the preparation of the consolidated financial information throughout the Track Record Period.

Notwithstanding that we incurred losses and recorded net liabilities during the Track Record Period, the financial information has been prepared on a going concern basis.

### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

#### Our Ability to Successfully Develop and Commercialize Our Drug Candidates

Our business and results of operations depend on our ability to successfully advance the development of our drug candidates. Our internal R&D work is led by senior scientists, including Dr. Du and Dr. Dang Qun, with extensive experience in the pharmaceutical industry and, particularly, expertise in drug discovery. As of the Latest Practicable Date, our in-house R&D team consisted of 79 members with experience in the biotech and pharmaceutical industries. Leveraging our extensive experience in drug development, our integrated and comprehensive drug R&D platforms cover functions throughout the entire drug development process. Our drug candidates are at various stages of development. Whether our drug candidates can demonstrate favorable safety and efficacy in clinical trials, and whether we can obtain or maintain the requisite regulatory approvals for our drug candidates, are crucial for our business and results of operations.

Our business and results of operations also depend on our ability to successfully commercialize our drug and future approved drug candidates. We obtained conditional approvals of azvudine from the NMPA for treating HIV infection and COVID-19 in China in July 2021 and July 2022, respectively. It was the first NMPA-approved oral antiviral treatment for COVID-19 developed by a Chinese company. In 2022, Henan Genuine entered into a strategic cooperation arrangement pursuant to the Fosun Pharma Agreements with Fosun Pharmaceutical Industrial, a subsidiary of Fosun Pharma, with respect to, among other things, Fosun Pharmaceutical Industrial’s exclusive commercialization of azvudine. As part of the Amendment Agreement reached in September 2024, we have terminated Fosun’s exclusive commercialization rights for azvudine in mainland China and regained the commercialization rights. We have taken proactive steps to establish our own commercialization team. As of the Latest Practicable Date, we had completed the handover of all tier-1 distributors and the transfer of inventories. At the same time, we have taken proactive steps to drive our own commercialization efforts and prepare for the future launches, including but not limited to the establishment and expansion of our in-house commercialization team, exploration of on-line and off-line sales channels and engagement of CSOs. We have also established our own manufacturing capabilities with an annual capacity of approximately three billion tablets. We believe we have the ability to manufacture sufficient quantities of drugs to meet market demand based on a combination of self-owned and contracted capacity. Nevertheless, product sales require significant commercialization efforts. If our current or future drug candidates fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. See “Business—Our Product Portfolio,” “Risk Factors—Risks Relating to the Development of Our Pipeline Products” and “Risk Factors—Risks Relating to the Manufacturing and Commercialization of Our Products” in this document.

The successful commercialization of our drug and drug candidates is subject to the market demand. The target addressable markets, primarily including the antiviral drug market, the oncology drug market and their sub-markets we are focused on have experienced market growth in general from 2018 to 2023, and are expected to grow in the next few years. See “Industry Overview” for details.

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## FINANCIAL INFORMATION

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### **Our Ability to Compete Effectively**

Our business and results of operations are also affected by our ability to compete against other players in the pharmaceutical and biotech industry. We face potential competition from global and China-based pharmaceutical and biotech companies that market or will market products in competition with our drug and drug candidates. These entities are or may be seeking to develop drugs, therapies and approaches to treat our targeted diseases or their underlying causes. Our commercial opportunity could be reduced or eliminated if our competitors develop drugs that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than the drugs that we may develop. See “Risk Factors—Risks Relating to Our Industry and Business Operations—We face intense competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than we do” in this document.

### **Cost Structure**

During the Track Record Period, our business and results of operations were significantly affected by our cost structure, which we incurred significant cost of sales, research and development expenses, administrative expenses and selling and distribution expenses.

In 2023 and 2024, we incurred cost of sales of RMB673.6 million and RMB73.0 million, respectively, which primarily consist of write-down on inventories and raw material costs. We expect our cost of sales to fluctuate in line with our revenue, which was in turn affected by the successful commercialization of our drug candidates.

Research and development activities are central to our business. Our current research and development activities mainly relate to drug discovery, preclinical studies, clinical trials and the clinical advancement of our drug candidates. Our research and development expenses primarily consist of third-party contracting costs and staff costs incurred by research and development personnel incurred for research and development of our drug candidates. In 2023 and 2024, our research and development expenses amounted to RMB238.4 million and RMB150.7 million, respectively. We expect to continue to incur substantial research and development expenses for the foreseeable future as we move drug candidates currently at early clinical stages into more advanced clinical trials and advance preclinical programs into clinical trials, and as we continue to expand the clinical development of our drug candidates for more indications.

In 2023 and 2024, we incurred administrative expenses of RMB104.2 million and RMB86.4 million, respectively, which primarily consist of staff costs, professional service fees and travel and entertainment expenses. Staff costs, including salaries and welfare for administrative personnel, constitute a substantial portion of our administrative expenses. In 2024, we recorded savings in administrative expenses as we streamlined our structure and improved our efficiency. We expect our administrative expenses to increase in the future to support our business expansion.

In 2023 and 2024, we incurred selling and distribution expenses of RMB19.7 million and RMB16.8 million, respectively, which primarily consist of staff costs and professional fees. We expect our selling and distribution expenses to increase in the future to support our business expansion upon successful commercialization of our drug candidates.

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## FINANCIAL INFORMATION

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We expect our cost structure to evolve as we continue to develop and expand our business. Subsequent to the [REDACTED], we expect to incur costs associated with operating as a public company.

### Funding for Our Operations

Historically, we funded our operations primarily through equity financing, cash from operations and loans and other borrowings. However, with the continuing expansion of our business and development of new drug candidates, we may require further funding through public or private equity offerings, debt financing and other sources. Any changes in our ability to fund our operations will affect our cash flow and results of operations.

### Growth of the Biotech and Pharmaceutical Markets

Our financial performance and future growth depend on the growth of the biotech and pharmaceutical markets, especially with respect to the therapeutic areas in China on which we initially place strategic emphasis: the antiviral and anti-tumor field. China’s antiviral drug market grew from US\$3.5 billion in 2018 to US\$7.8 billion in 2023 at a CAGR of 17.1%. The market is expected to further grow to US\$21.8 billion in 2030 at a CAGR of 15.8% from 2023 to 2030. China’s oncology drug market reached US\$34.1 billion in 2023 from US\$23.8 billion at a CAGR of 7.5%, and is expected to reach US\$77.5 billion in 2030, representing a CAGR of 12.4%.

In addition, we expect to be supported by a series of favorable government policies in the near future. For example, the PRC government has promulgated a series of favorable policies in relation to the treatment of viral infections, the prevention and treatment of HIV, as well as shortening the review and approval period of time for innovative drugs IND and NDA, which will accelerate marketing authorization process for drugs with potentials to address urgent clinical needs. The enhanced patent protection also contributes to the continued innovation in the antiviral field. Additionally, domestic pharmaceutical companies generally tend to benefit from tax reduction policies, talent incentive program and special public R&D funds to support their R&D activities.

## MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial information, which has been prepared in accordance with IFRSs. The preparation of the financial information requires us to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. We evaluate our estimates and underlying assumptions on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Our material accounting policies, judgments and estimates are summarized in Note 2.4 and Note 3 to the Accountants’ Report set out in Appendix I to this document. We set out certain selected material accounting policies applied in the preparation of our historical financial information as follows.

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## FINANCIAL INFORMATION

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### Revenue Recognition

We recognize revenue from contracts with customers when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. When the consideration in a contract includes a variable amount, we estimate the amount of consideration to which we will be entitled in exchange for transferring the goods or services to the customer. We estimate the variable consideration at contract inception and constrain the variable consideration 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.

### *License and Collaboration Revenue*

We entered into a strategic cooperation agreement with Fosun Pharmaceutical Industrial in 2022 (the “**Fosun Pharma Agreement**”). See “Business—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreements” for details. Pursuant to the Fosun Pharma Agreement, we are entitled to a non-refundable upfront fee of RMB100 million payable within five business days after the execution of the Fosun Pharma Agreement, a non-refundable cooperation fee of RMB399.5 million within seven business days after completion and satisfaction of prerequisite due diligence and evaluation by Fosun Pharmaceutical Industrial as set forth in the Fosun Pharma Agreement and sales-based royalties based on the profit sharing from sales of azvudine for the treatment and prevention of COVID-19 and HIV infection (the “**Cooperation Products**”).

At contract inception, we assess the goods or services promised within each contract and determine whether those are performance obligations, and assess whether each promised good or service is distinct. In assessing whether a license is distinct from the other promises, we consider factors such as the research, development, manufacturing and commercialization capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace. In addition, we consider whether the counter-party can benefit from a license for its intended purpose without the receipt of the remaining promises by considering whether the value of the license is dependent on the unsatisfied promises, whether there are other vendors that could provide the remaining promises, and whether it is separately identifiable from the remaining promises. We determined that the license granted to our customer and the manufacturing services are not distinct and instead combined as a single performance obligation because our customer cannot benefit from the license without the manufacturing services given that we are the marketing authorization holder of azvudine in mainland China and should be responsible for manufacturing the Cooperation Products as stipulated in the Fosun Pharma Agreement. We determine that the promises in the Fosun Pharma Agreement represent three performance obligations, including: (i) the research and development service for clinical studies on azvudine for the treatment of HIV infection, which represents our own obligation to conduct clinical studies on azvudine for the treatment of HIV infection pursuant to the Fosun Pharma Agreement; (ii) the manufacturing services of Cooperation Products for the treatment of HIV infection; and (iii) the manufacturing services of Cooperation Products for the treatment of COVID-19.



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## FINANCIAL INFORMATION

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We use judgment to determine whether milestones or other variable consideration should be included in the transaction price. At the inception of the licensing contract, we estimated that the total transaction price is constrained to RMB499.5 million which included upfront fee of RMB100 million and cooperation fee of RMB399.5 million. We allocated the transaction price to each performance obligation on a relative stand-alone selling price basis, for which we recognize revenue as or when the performance obligations under the contract are satisfied. As sales-based royalties relate specifically to our efforts to satisfy the performance obligation of the manufacturing services of the Cooperation Products, they are allocated entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

### *Research and Development Services*

We recognize revenue from research and development service over time, using an input method to measure progress towards complete satisfaction of the service, because our customer simultaneously receives and consumes the benefits provided us. Under the input method, we recognize revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

### *Manufacturing Services of the Cooperation Products*

We recognize revenue from the manufacturing services of the Cooperation Products (i.e. azvudine for the treatment of HIV infection or azvudine for the treatment of COVID-19) over time, using an output method to measure progress towards complete satisfaction of the service, because our customer simultaneously receives and consumes the benefits from the manufacturing services provided by us. Under the output method, we recognize revenue based on the proportion of the actual quantity of goods manufactured for customer in each reporting period to the forecasted total quantity that would be manufactured during the entire life of the Cooperation Products.

### *Sales-based Royalties*

We recognize sales-based royalties as revenue when the subsequent sale occurs, and the amount is determinable and agreed by our customer.

### *Other Variable Considerations*

The Fosun Pharma Agreement stipulates that for the donations of goods agreed upon by us and Fosun Pharmaceutical Industrial, Fosun Pharmaceutical Industrial will compensate us with part of the production costs. We recognize such compensation as revenue when the donations occur and the compensation amount is agreed.



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In 2023, some products supplied to Fosun Pharmaceutical Industrial were approaching expiry but not sold by Fosun Pharmaceutical Industrial due to the then COVID-19 conditions. After some negotiation, Fosun Pharmaceutical Industrial agreed to share part of the manufacturing costs incurred by us. The additional cost compensation represented additional variable consideration which is allocated entirely to the performance obligation of the manufacturing services of the Cooperation Products. The change in transaction price does not affect the measurement of progress which is still based on quantity produced over total expected quantity to be manufactured in the entire product life. We recognized the cost compensation as revenue in 2023 when such amount was determinable and agreed by our customer.

### *Amendment to the Agreement*

On September 26, 2024, we entered into an amendment agreement with Fosun Pharmaceutical Industrial pursuant to which we regained the exclusive commercialization rights of the Cooperation Products in mainland China granted to Fosun Pharmaceutical Industrial (the “**Amendment Agreement**”). Since the effective date of the Amendment Agreement, we became the sole owner of the commercialization right over azvudine in Mainland China and no longer had to fulfil obligations under the Fosun Pharma Agreements to manufacture the Cooperation Products to Fosun Pharmaceutical Industrial. Research and development services for clinical studies on azvudine for the treatment of HIV infection under the Fosun Pharma Agreement was also terminated. In relation to the termination, we agreed to pay to Fosun Pharmaceutical Industrial (i) an upfront fixed payment of RMB60.0 million; and (ii) a variable payment, calculated as 10% of our net sales generated from sales of the Cooperation Products in mainland China within a period of five years subsequent to the effective date of the Amendment Agreement.

The Amendment Agreement represented a contract modification under IFRS15. Considering that we no longer need to fulfil the performance obligations as identified in the Fosun Pharma Agreements and the amendment represents a termination to the previous collaboration arrangement pursuant to the Fosun Pharma Agreements, on the date of termination, the contract liabilities was derecognized and the estimated consideration payable to Fosun Pharmaceutical Industrial as agreed in the Amendment Agreement was recognized, with the differences being recognized as an adjustment to revenue.

Paragraph 15 of IFRS 15 requires an entity to recognize the consideration received as revenue only when the consideration received from the customer is non-refundable. Therefore, any additional revenue arising from the variable consideration payable to the customer is only recognized when the amount is certain and not refundable. On this basis, on the termination date and subsequently at each reporting period ending within the five years subsequent to the effective date of the Amendment Agreement, we estimate the consideration payable to the customer and compare that with the amount of contract liabilities on the termination date. In the case that the difference represents a deduction of revenue, it is recognized immediately. On contrary, if such difference represents an addition of revenue, it is only recognized at the end of the aforementioned five years when the amount is not refundable.

### *Sales of Goods*

We recognize revenue from the sale of goods at the point in time when control of the goods is transferred to our customer, generally on delivery and acceptance of the goods.

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## FINANCIAL INFORMATION

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### Research and Development Expenses

We recognize research expenditures as expenses in the period in which they are incurred. We capitalize and defer expenditure incurred on projects to develop new products only when we can demonstrate the following elements: the technical feasibility of completing the development project so that the drug candidate will be available for use or sale, our intention to complete and our ability to use or sell the drug candidate, how the development project will generate future economic benefits, the availability of resources to complete the development project and the ability to measure reliably the expenditures during development. We record development costs which do not meet these criteria as expenses when incurred. During the Track Record Period, we recorded all research and development costs as expenses in our consolidated statements of profit or loss and other comprehensive income.

### Convertible Redeemable Preferred Shares

We classify preferred shares as financial liabilities measured at fair value through profit or loss, presented as “convertible redeemable preferred shares” in the consolidated statements of financial position. We recognize the changes in fair value of such financial liabilities in our consolidated statements of profit or loss and other comprehensive income. The preferred shares are redeemable at the option of the shareholders in case of occurrence of certain triggering events at a per share price equal to the issue price plus an amount of interest at simple annual rate of 10% and plus any declared but unpaid dividends thereupon. All of our outstanding preferred shares will automatically be converted into ordinary shares upon the [REDACTED].

In respect of the valuation of our convertible redeemable preferred shares, our management, based on the professional advice received, engaged and discussed with an independent professional external valuer to establish the appropriate valuation techniques, and reviewed the external valuer’s valuation analysis and results. Based on the procedures, our management is satisfied that the valuation is considered reasonable, and our financial statements are properly prepared.

Details of the valuation measurement of convertible redeemable preferred shares, particularly the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to valuation are disclosed in Note 27 to the Accountants’ Report in Appendix I to this document.

### Leases

At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When we enter into a lease in respect of a low-value asset, we decide whether to capitalize the lease on a lease-by-lease basis. We recognize the lease payments associated with those leases which are not capitalized as an expense over the lease term.

When we capitalize a lease, we initially recognize the lease liability at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, we measure the lease liability at amortized cost and interest expense is calculated using the effective interest method.

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We recognize the right-of-use asset when a capitalized lease is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant and buildings . . . . .	2 to 10 years
Vehicles . . . . .	2 to 5 years

If ownership of the leased asset transfers to us 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.

### **Property, Plant and Equipment**

We state property, plant and equipment, other than construction in progress, 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. Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated.

Depreciation of property, plant and equipment 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:

Leasehold improvements . . . . .	Shorter of remaining lease terms and estimated useful lives
Plant and machinery . . . . .	5% to 20%
Office equipment and furniture . . . . .	20% to 33 $\frac{1}{3}$ %
Motor vehicles . . . . .	20%

### **Intangible Assets (Other than Goodwill)**

For intangible assets acquired separately, we initially recognize them at cost. We further categorize such intangible assets as having either finite or indefinite useful lives. For intangible assets with finite lives, we amortize them over their useful lives, and the amortization begins when such intangible assets are available for use. In addition, we also assess such assets for impairment whenever there is an indication that they may be impaired.

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### Fair Value Measurement

We measure our certain financial instruments at fair value 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 us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

We categorize all assets and liabilities for which fair value is measured or disclosed in the financial statements 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, we determine 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.

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### DISCUSSION OF CERTAIN COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Year ended December 31,	
	2023	2024
	<i>(RMB in thousands)</i>	
<b>Revenue</b> . . . . .	<b>344,210</b>	<b>237,868</b>
Cost of sales . . . . .	<u>(673,615)</u>	<u>(73,013)</u>
Gross (loss)/profit . . . . .	(329,405)	164,855
Other income and gains . . . . .	24,578	146,671
Administrative expenses . . . . .	(104,188)	(86,399)
Research and development expenses . . . . .	(238,445)	(150,687)
Selling and distribution expenses . . . . .	(19,652)	(16,766)
Reversal of impairment losses/(impairment losses) on financial assets, net . . . . .	1,120	(4,608)
Other expenses . . . . .	(34,548)	(7,362)
Finance costs . . . . .	(7,940)	(6,223)
Fair value losses on convertible redeemable preferred shares . . . . .	<u>(75,097)</u>	<u>(79,523)</u>
<b>Loss before tax</b> . . . . .	<b>(783,577)</b>	<b>(40,042)</b>
Income tax expense . . . . .	<u>—</u>	<u>—</u>
<b>Loss and total comprehensive loss for the year</b> . . . . .	<b><u>(783,577)</u></b>	<b><u>(40,042)</u></b>
Attributable to:		
Owners of the parent . . . . .	(783,577)	(40,042)
Non-controlling interests . . . . .	<u>—</u>	<u>—</u>
	<b><u>(783,577)</u></b>	<b><u>(40,042)</u></b>

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### Revenue

During the Track Record Period, we generated all of our revenue from our first commercialized product, azvudine, following conditional approvals of azvudine from the NMPA for treating HIV infection and COVID-19, in China in July 2021 and July 2022, respectively. Substantially all of our revenue during the Track Record Period was generated from the Fosun Pharma Agreements. See “Business—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreements” for details. We also generated revenue from direct sales of azvudine to certain distributors in 2024 under new distribution agreements subsequent to the termination of our collaboration with Fosun Pharmaceutical Industrial in September 2024. The following table sets forth a breakdown of revenue for the periods indicated:

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>	
License and collaboration revenue		
Sales-based royalties . . . . .	185,702	224,533
Research and development services . . . . .	66,341	9,803
Manufacturing of products . . . . .	32,478	1,586
Other variable considerations . . . . .	59,689	–
	344,210	235,922
Sales of goods . . . . .	–	1,946
<b>Total . . . . .</b>	<b>344,210</b>	<b>237,868</b>

### *License and Collaboration Revenue*

Pursuant to the Fosun Pharma Agreements, we shall (i) provide research and development services for clinical studies on azvudine for treatment of HIV, which represents our own obligation to conduct clinical studies on azvudine for the treatment of HIV infection pursuant to the Fosun Pharma Agreement; (ii) manufacture azvudine for treatment of HIV; and (iii) manufacture azvudine for treatment of COVID-19.

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Accordingly, during the Track Record Period, we recorded revenue from the following sources:

- (i) *manufacturing of azvudine*. In 2023 and 2024, we recognized revenue from manufacturing of azvudine of RMB32.5 million and RMB1.6 million, respectively.
- (ii) *providing research and development services for treatment of HIV*. In 2023 and 2024, we recognized revenue from providing research and development services for treatment of HIV of RMB66.3 million and RMB9.8 million, respectively.
- (iii) *sales-based royalties*. In 2023 and 2024, we recognized sales-based royalties of RMB185.7 million and RMB224.5 million, respectively.
- (iv) *other variable considerations*. In 2023, we recorded incidental revenue in relation to (a) compensation of production costs we received for certain near-expiry products of RMB58.8 million and (b) compensation for production costs for products donated of RMB0.9 million. Such amount was recognized as revenue in 2023 as the amount became determinable and agreed by our customer.

See “—Material Accounting Policies, Judgements and Estimates—Revenue Recognition” for details.

Our license and collaboration revenue decreased by 31.5% from RMB344.2 million in 2023 to RMB235.9 million in 2024, which was primarily attributable to:

- (i) a decrease in other variable considerations. In 2023, we recorded (a) compensation of production costs of RMB58.8 million in relation to certain near-expiry azvudine tablets, pursuant to the return and exchange arrangement<sup>(Note)</sup> between us and Fosun Pharmaceutical Industrial; and (b) compensation of production costs of RMB0.9 million for 0.3 million bottles of azvudine donated by us and Fosun Pharmaceutical Industrial in early 2023. No such revenue was recognized in 2024;
- (ii) a decrease in revenue from research and development services, which was recognized in line with the corresponding costs incurred during the years;
- (iii) a decrease in revenue from manufacturing services as we provided less of such services in 2024 pursuant to the Fosun Pharma Agreements; partially offset by
- (iv) an increase in sales-based royalties as the amount of azvudine tablets entitled to profit sharing as agreed between us and Fosun Pharmaceutical Industrial increased from 2.5 million bottles in 2023 to 3.1 million bottles in 2024.

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*Note:* In November 2023, in light of the COVID-19 drug market condition, we and Fosun Pharmaceutical Industrial began discussions to reach a return and exchange arrangement of expired or near-expiry azvudine tablets, under which we agreed to Fosun Pharmaceutical Industrial’s return of certain expired or near-expiry azvudine tablets to us for destruction. We also agreed to provide Fosun Pharmaceutical Industrial with newer batches of azvudine tablets for free to exchange and replace corresponding expired or near expiry drugs. In respect of the return of the expired or near-expiry azvudine tablets, Fosun Pharmaceutical Industrial agreed to share part of the production costs. Accordingly, we recognized revenue in respect of the compensation of production costs related to the expired or near-expiry products of RMB58.8 million in 2023.



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### *Sales of goods*

We recorded revenue of RMB1.9 million from sales of approximately 13,700 bottles of azvudine tablets to certain distributors in 2024 under new distribution agreements subsequent to the termination of Fosun Pharma Agreements.

### **Cost of Sales**

Our cost of sales during the Track Record Period consisted of (i) write-down on inventories to net realizable value; (ii) manufacturing costs; (iii) post-approval R&D costs; (iv) labor costs; (v) raw material costs; and (vi) freight costs. The following table sets forth the components of our cost of sales for the periods indicated.

	Year ended December 31,			
	2023		2024	
	Amount	% of total	Amount	% of total
	<i>(RMB in thousands, except for percentage)</i>			
Write-down on inventories . . .	353,010	52.4%	34,859	47.7%
Manufacturing costs . . . . .	44,655	6.6%	28,546	39.1%
Post-approval R&D costs . . . .	61,639	9.2%	9,108	12.5%
Labor costs . . . . .	5,679	0.8%	310	0.4%
Raw materials costs . . . . .	208,089	30.9%	117	0.2%
Freight costs . . . . .	543	0.1%	73	0.1%
<b>Total . . . . .</b>	<b>673,615</b>	<b>100.0%</b>	<b>73,013</b>	<b>100.0%</b>

In 2023, we recorded significant write-down on inventories of RMB353.0 million in relation to provisions made to our products taking into account the expiry dates of the products and marketability. In early 2023, in view of the then COVID-19 situation and expected demands of our products, we purchased raw materials and manufactured certain bottles of azvudine which were not based on orders from Fosun Pharmaceutical Industrial and were not subsequently delivered. As of December 31, 2023, these goods were held by us and approaching expiry. Accordingly, a full provision of RMB226.2 million was made for such goods. In 2024, write-down on inventories of RMB34.9 million was recorded mainly in relation to the raw materials held by us considering the COVID-19 situation and the future demands of azvudine. Our raw material costs decreased from RMB208.1 million in 2023 to RMB0.1 million in 2024, primarily due to the decreased supply of azvudine by us in light of the market conditions.

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In 2023 and 2024, we recorded post-approval R&D costs under cost of sales of RMB61.6 million and RMB9.1 million, respectively, in relation to the research and development services to Fosun Pharmaceutical Industrial. These R&D costs were accounted for as cost of sales as the relevant R&D activities were related to clinical studies on azvudine necessary for obtaining full approval for the treatment of HIV infection, which represents our own obligation to conduct clinical studies on azvudine for the treatment of HIV infection pursuant to the Fosun Pharma Agreement. Post-approval R&D costs decreased in 2024, reflecting a decrease in research activities for azvudine in the same year as we were pending certain data to proceed to the next stage of research thus there were less R&D activities in relation to azvudine for the HIV indication under the scope of the Fosun Pharma Agreement during 2024.

### Gross (Loss)/Profit and Gross (Loss)/Profit Margin

As a result of the revenue and cost of sales above, we recognized gross loss of RMB329.4 million in 2023 and gross profit of RMB164.9 million in 2024, with a gross loss margin of 95.7% in 2023 and a gross profit margin of 69.3% in 2024. We recorded gross loss margin in 2023 mainly due to the write-down on inventories recorded in the same year.

### Other Income and Gains

Our other income and gains primarily consist of (i) subsidy for production costs; (ii) government grants, primarily represented subsidies from governments in relation to research and clinical trials; (iii) additional deduction for input VAT; (iv) bank interest income; (v) net foreign exchange gains. The following table sets forth the components of our other income and gains for the periods indicated:

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>	
Subsidy for production costs . . . . .	–	121,067
Government grants . . . . .	13,255	21,671
Additional deduction for input VAT . . . . .	3,134	2,478
Bank interest income . . . . .	6,216	950
Foreign exchange gains, net . . . . .	875	136
Investment income on financial assets at fair value through profit or loss . . . . .	516	47
Fair value gains on financial assets at fair value through profit or loss . . . . .	34	–
Others <sup>(1)</sup> . . . . .	548	322
<b>Total</b> . . . . .	<b>24,578</b>	<b>146,671</b>

*Note:*

- (1) Represent primarily the refunds of handling charges in relation to the withholding individual tax from local tax authorities.

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We recorded subsidy for production costs of RMB121.1 million in 2024, representing the compensation of production costs from Fosun Pharmaceutical Industrial in respect of a significant amount of azvudine produced in early 2023 in light of the then COVID situation and expected demands of our products. In view of our positive business relationship with Fosun, we negotiated such one-off compensation in connection with the azvudine produced in light of the then COVID-19 situation but not based on orders from Fosun Pharmaceutical Industrial and such compensation was recognized as other income in 2024 when the amount of compensation was agreed.

We recorded significant government grants of RMB13.3 million and RMB21.7 million in 2023 and 2024, respectively, primarily representing certain non-recurring subsidies received from local governments for encouragement of investments and subsidies received for encouragement of R&D activities, demonstrating our reputation in the field.

### Administrative Expenses

Our administrative expenses consist of (i) staff costs, including salaries and welfare for administrative personnel; (ii) travel and entertainment expenses; (iii) amortization and depreciation in relation to our office equipment and furniture, leasehold improvements and right-of-use assets; (iv) [REDACTED] expenses; (v) general operating expenses; (vi) professional service fees incurred primarily for legal, audit, recruitment and consulting services in relation to our business operations; (vii) equity-settled share-based payment for administrative personnel; (viii) levy and other taxes, representing other taxes imposed at a percentage of VAT charged; and (ix) others. The following table sets forth the components of our administrative expenses for the periods indicated:

	Year ended December 31,			
	2023		2024	
	Amount	% of total	Amount	% of total
	<i>(RMB in thousands, except for percentages)</i>			
Staff costs . . . . .	35,950	34.5%	32,470	37.6%
Travel and entertainment expenses . . . . .	22,402	21.5%	20,719	24.0%
Amortization and depreciation . . . . .	7,489	7.2%	10,736	12.4%
[REDACTED] expenses . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General operating expenses . .	10,850	10.4%	5,259	6.1%
Professional service fees . . . .	3,905	3.7%	3,272	3.8%
Equity-settled share-based payment . . . . .	184	0.2%	1,026	1.1%
Levy and other taxes . . . . .	12,560	12.0%	149	0.2%
Others <sup>(1)</sup> . . . . .	3,327	3.3%	2,469	2.9%
<b>Total . . . . .</b>	<b>104,188</b>	<b>100.0%</b>	<b>86,399</b>	<b>100.0%</b>

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*Note:*

- (1) Represent inventory loss and other miscellaneous expenses.

### Research and Development Expenses

Our research and development expenses consist of (i) third-party contracting costs, primarily including payments to CROs, hospitals and other medical institutions, and testing fees incurred for preclinical studies and clinical trials; (ii) staff costs, including salaries and welfare for research and development personnel; (iii) depreciation and amortization in relation to our research and development equipment and facilities and intangible assets; (iv) costs of raw materials and consumables used for research and development of our drug candidates; (v) equity-settled share-based payment for research and development personnel; and (vi) others. The following table sets forth the components of our research and development expenses for the periods indicated:

	Year ended December 31,			
	2023		2024	
	Amount	% of total	Amount	% of total
	<i>(RMB in thousands, except for percentages)</i>			
Third-party contracting costs . . . . .	162,568	68.2%	77,131	51.2%
Staff costs . . . . .	46,982	19.7%	50,527	33.5%
Depreciation and amortization . . . . .	10,369	4.3%	12,976	8.6%
Cost of raw materials and consumables used . . . . .	10,669	4.5%	6,351	4.2%
Equity-settled share-based payment . . . . .	1,810	0.8%	114	0.1%
Others <sup>(1)</sup> . . . . .	6,047	2.5%	3,603	2.4%
<b>Total . . . . .</b>	<b><u>238,445</u></b>	<b><u>100.0%</u></b>	<b><u>150,687</u></b>	<b><u>100.0%</u></b>

*Note:*

- (1) Represent travel expenses, utilities and other miscellaneous expenses in relation to our research and development activities.

Research and development expenses attributable to the Core Product, azvudine, represented 49.8% and 44.5% of our total research and development expenses in 2023 and 2024, respectively. In 2023 and 2024, we recorded certain research and development expenses in relation to (i) phase III clinical trials of azvudine for treatment of HIV of RMB17.1 million and RMB12.0 million, respectively. As these costs were not for studies or data required by NMPA necessary for obtaining full approval of azvudine for treatment of HIV pursuant to the

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Fosun Pharma Agreements, we recorded such costs under research and development expenses; (ii) phase III clinical trial for treatment of COVID-19 of RMB100.1 million and RMB39.2 million, respectively; and (iii) preclinical trial for other expanded indications of RMB1.7 million and RMB15.9 million, respectively.

Our third-party contracting costs decreased by 52.6% from RMB162.6 million in 2023 to RMB77.1 million in 2024, mainly because we incurred fewer costs for clinical trials of azvudine for HIV and COVID-19 in 2024 as those clinical trials were at a later stage. Our third-party contracting costs for 2024 were mainly related to the preclinical studies, which generally incur significantly smaller amount of R&D expenses as compared with clinical trials. We expect our R&D expenses (especially those relating to azvudine) to rise in the foreseeable future as we have obtained IND approval for the clinical trials of azvudine in patients with advanced solid tumors. As of the Latest Practicable Date, we had enrolled three patients for the Phase I clinical trial in initiated in January 2025.

### Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) staff costs incurred for sales personnel; (ii) professional fees, which mainly include marketing service fees; (iii) travel and entertainment expenses in relation to our selling and distribution activities; and (iv) equity-settled share-based payment for selling personnel. The following table sets forth the components of our selling and distribution expenses for the periods indicated.

	Year ended December 31,			
	2023		2024	
	Amount	% of total	Amount	% of total
	<i>(RMB in thousands, except for percentages)</i>			
Staff costs . . . . .	10,474	53.3%	10,633	63.4%
Professional fees . . . . .	7,705	39.2%	3,004	17.9%
Travel and entertainment expenses . . . . .	1,352	6.9%	1,369	8.2%
Equity-settled share-based payment . . . . .	–	–	1,317	7.9%
Others <sup>(1)</sup> . . . . .	121	0.6%	443	2.6%
<b>Total . . . . .</b>	<b>19,652</b>	<b>100.0%</b>	<b>16,766</b>	<b>100.0%</b>

*Note:*

- (1) Represent depreciation and amortization expenses, office supplies and other miscellaneous expenses in relation to our selling and distribution activities.

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### Reversal of Impairment/(Impairment Losses) on Financial Assets, Net

Our net impairment losses or reversal of impairment losses on financial assets primarily arose from our trade and other receivables. We recorded net reversal on impairment losses on financial assets of RMB1.1 million in 2023 and net impairment losses on financial assets of RMB4.6 million in 2024. In 2024, our net impairment losses on financial assets mainly arose from receivables in relation to the suspension of certain construction works.

### Other Expenses

Our other expenses primarily consist of impairment of prepayments and charitable contributions. In 2023 and 2024, our other expenses amounted to RMB34.5 million and RMB7.4 million, respectively. The significant other expenses incurred in 2023 was mainly attributable to an impairment of prepayments of RMB30.0 million, which was provided for the prepayments made to a third party for the commercialization of azvudine in certain area which are not expected to be recovered.

### Finance Costs

Our finance costs consist of (i) interest on bank loans; (ii) interest on lease liabilities; (iii) accrued interest on long-term payable; and (iv) interest on loans from third parties. The following table sets forth the components of our finance costs for the periods indicated:

	Year ended December 31,	
	2023	2024
	<i>(RMB in thousands)</i>	
Interest on bank loans . . . . .	6,765	5,499
Interest on lease liabilities . . . . .	609	435
Accrued interest on long-term payable for inventories . . . . .	–	289
Interest on loans from third parties . . . . .	566	–
<b>Total . . . . .</b>	<b>7,940</b>	<b>6,233</b>

### Fair Value Losses on Convertible Redeemable Preferred Shares

We recorded fair value losses on convertible redeemable preferred shares of RMB75.1 million and RMB79.5 million in 2023 and 2024, respectively, primarily due to the increase in our financial liabilities in relation to our convertible redeemable preferred shares as a result of the changes in the valuation of our Company. See Note 27 to the Accountants’ Report in Appendix I to this document for details.

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## FINANCIAL INFORMATION

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The fair value losses on our convertible redeemable preferred shares is mainly associated with changes in our Company’s valuation. The convertible redeemable preferred shares will be automatically converted into Shares upon the [REDACTED], which will significantly improve our financial position, and we will recognize no further loss or gain on fair value changes from convertible redeemable preferred shares subsequent to the [REDACTED].

### **Income Tax**

We did not record income tax expenses in 2023 and 2024. During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes in accordance with applicable tax laws and regulations and did not have any disputes or unresolved tax issues with the relevant tax authorities in all material respects.

#### *The Cayman Islands and BVI*

Our Company was incorporated in Cayman Islands in September 2019. Genuine BVI, one of our subsidiaries, was incorporated in the BVI. Pursuant to the laws and regulations of the Cayman Islands and the BVI, we were not subject to any income tax there.

#### *Hong Kong*

We did not make any provision for Hong Kong profit tax, which is at the rate of 16.5% pursuant to relevant laws and regulations, because our Hong Kong subsidiary, Genuine HK, did not have assessable profits in Hong Kong during the Track Record Period.

#### *The PRC*

We made the provision for the PRC income tax based on the statutory rate of 25% of the assessable profits of our PRC subsidiaries during the Track Record Period. Henan Genuine and Shenzhen Genuine qualified as high-technology enterprises and were subject to income tax at a preferential tax rate of 15% during the Track Record Period. According to the tax incentive policies promulgated by the State Taxation Administration of the PRC, Henan Genuine was allowed to deduct an additional 100% of qualified research and development expenses from taxable income for 2023 and 2024 in Henan, Shanghai and Shenzhen.

## **PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS**

### **2023 Compared to 2024**

#### *Revenue*

Our revenue decreased by 30.9% from RMB344.2 million in 2023 to RMB237.9 million in 2024, which was primarily attributable to a decrease in license and collaboration revenue. See “—Discussion of Certain Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Revenue” for details.



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## FINANCIAL INFORMATION

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### *Cost of Sales*

Our cost of sales decreased by 89.2% from RMB673.6 million in 2023 to RMB73.0 million in 2024, primarily due to (i) a decrease of RMB318.2 million in write-down on inventories. In 2023, our write-down on inventories primarily represented the provisions made to our finished products taking into account the expiry dates of the products and marketability, while that for 2024 primarily represented provisions made for our raw materials held by us considering the COVID-19 situation and the future demands of azvudine; (ii) a decrease of RMB208.0 million in raw material costs due to a decreased supply of azvudine in light of the market conditions; and (iii) a decrease of RMB52.5 million in post-approval R&D costs, reflecting a decrease in research activities for azvudine during the year as we were pending certain data to proceed to the next stage of research thus there were less R&D activities in relation to azvudine for the HIV indication under the scope of the Fosun Pharma Agreement during 2024.

### *Gross (Loss)/Profit and Gross (Loss)/Profit Margin*

As a result of the above, we recorded gross loss of RMB329.4 million and gross loss margin of 95.7% in 2023 as compared to gross profit of RMB164.9 million and gross profit margin of 69.3% in 2024.

### *Other Income and Gains*

Our other income and gains increased significantly from RMB24.6 million in the 2023 to RMB146.7 million in 2024, primarily attributable to (i) a subsidy for production costs of RMB121.1 million recorded in 2024, representing the compensation of production costs from Fosun Pharmaceutical Industrial in respect of a significant amount of azvudine produced in early 2023 in light of the COVID situation; and (ii) an increase in government grants in 2024.

### *Administrative Expenses*

Our administrative expenses decreased by 17.1% from RMB104.2 million in 2023 to RMB86.4 million in 2024, which was primarily attributable to (i) a decrease in levy and other taxes as a result of decreased in VAT payable in light of the decreased revenue; and (ii) a decrease in staff costs due to a decrease in headcount as we optimized our staff structure.

### *Research and Development Expenses*

Our research and development expenses decreased by 36.8% from RMB238.4 million in 2023 to RMB150.7 million in 2024, primarily attributable to a decrease in third-party contracting costs, mainly because we incurred fewer costs for clinical trials of azvudine for HIV and COVID-19 in 2024 as those clinical trials were at a later stage. Our third-party contracting costs for 2024 were mainly related to the preclinical studies, which generally incur significantly smaller amount of R&D expenses as compared with clinical trials.

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## FINANCIAL INFORMATION

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### *Selling and Distribution Expenses*

Our selling and distribution expenses decreased by 14.7% from RMB19.7 million in 2023 to RMB16.8 million in 2024, which was primarily attributable to a decrease of RMB4.7 million in professional fees mainly including marketing services fees.

### *Reversal on Impairment/(Impairment Losses) on Financial Assets, Net*

We recorded net impairment losses on financial assets of RMB4.6 million in 2024 as compared to a net reversal of impairment loss of RMB1.1 million in 2023. In 2024, our net impairment losses on financial assets mainly arose from receivables in relation to the suspension of certain construction works.

### *Other Expenses*

Our other expenses decreased by 78.7% from RMB34.5 million in 2023 to RMB7.4 million in 2024. The significant other expenses incurred in 2023 was mainly attributable to an impairment of prepayments of RMB30.0 million, which was provided for the prepayments made to a third party for the commercialization of azvudine in certain area which are not expected to be recovered.

### *Finance Costs*

Our finance costs decreased by 21.6% from RMB7.9 million in 2023 to RMB6.2 million in 2024, primarily due to a decrease in interest on bank loans, due to the settlement of certain loans in 2024.

### *Fair Value Losses on Convertible Redeemable Preferred Shares*

We recorded and fair value loss on convertible redeemable preferred shares of RMB75.1 million and RMB79.5 million in 2023 and 2024, respectively, primarily due to the increase in our financial liabilities in relation to our convertible redeemable preferred shares as a result of the changes in the valuation of our Company. See Note 27 to the Accountants’ Report in Appendix I to this document for details.

### *Income Tax Expense*

We did not record any income tax expense in 2023 and 2024, because we did not have any assessable profits during the same years.

### *Loss for the Year*

As a result of the foregoing, we recorded loss of the year of RMB783.6 million and RMB40.0 million in 2023 and 2024, respectively.

## FINANCIAL INFORMATION

### DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

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

	As of December 31,	
	2023	2024
	<i>(RMB in thousands)</i>	
<b>Non-current assets</b>		
Property, plant and equipment . . . . .	69,491	55,999
Right-of-use assets. . . . .	61,757	56,797
Intangible assets . . . . .	110,998	137,479
Other non-current assets . . . . .	7,079	1,004
<b>Total non-current assets. . . . .</b>	<b>249,325</b>	<b>251,279</b>
<b>Current assets</b>		
Inventories . . . . .	130,959	105,559
Trade receivables. . . . .	–	26,412
Prepayments, other receivables and other assets. . .	192,122	50,995
Financial assets at fair value through profit or loss . . . . .	20,034	–
Restricted cash . . . . .	1,030	–
Cash and cash equivalents . . . . .	239,395	138,465
<b>Total current assets . . . . .</b>	<b>583,540</b>	<b>321,431</b>
<b>Current liabilities</b>		
Trade payables. . . . .	234,972	135,098
Contract liabilities . . . . .	121,867	568
Other payables and accruals. . . . .	24,634	114,913
Interest-bearing loans . . . . .	221,921	134,415
Lease liabilities . . . . .	6,065	4,826
Deferred income . . . . .	21,000	17,296
<b>Total current liabilities . . . . .</b>	<b>630,459</b>	<b>407,116</b>
<b>Net current liabilities. . . . .</b>	<b>(46,919)</b>	<b>(85,685)</b>
<b>Total assets less current liabilities. . . . .</b>	<b>202,406</b>	<b>165,594</b>

## FINANCIAL INFORMATION

	As of December 31,	
	2023	2024
	<i>(RMB in thousands)</i>	
<b>Non-current liabilities</b>		
Contract liabilities . . . . .	253,576	–
Convertible redeemable preferred shares . . . . .	979,869	1,059,392
Lease liabilities . . . . .	12,103	2,471
Other non-current liabilities . . . . .	9,478	196,936
Deferred income . . . . .	8,333	5,333
	<b>1,263,359</b>	<b>1,264,132</b>
<b>Total non-current liabilities . . . . .</b>		
	<b>(1,060,953)</b>	<b>(1,098,538)</b>
<b>Net liabilities . . . . .</b>		

### Property, Plant and Equipment

Our property, plant and equipment consists of plant and machinery, leasehold improvements, office equipment and furniture and motor vehicles. Our property, plant and equipment decreased by 19.4% from RMB69.5 million as of December 31, 2023 to RMB56.0 million as of December 31, 2024, mainly due to depreciation charged during the year.

### Right-of-Use Assets

Our right-of-use assets arise from the lease contracts we entered into for the manufacturing facilities and buildings and vehicles. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and their estimated useful lives. Our right-of-use assets decreased by 8.0% from RMB61.8 million as of December 31, 2023 to RMB56.8 million as of December 31, 2024, primarily due to the depreciation charged during the year.

### Intangible Assets

Our intangible assets include intellectual property we acquired, trademark and software. Our intangible assets increased by 23.9% from RMB111.0 million as of December 31, 2023 to RMB137.5 million as of December 31, 2024, primarily due to an addition of intellectual property in relation to patent of azvudine on anti-tumor indication.

### Other Non-Current Assets

Our other non-current assets primarily represent our prepayments for property, plant and equipment, deposits receivables from landlords for rentals of office premises and prepayments for services in relation to certain consulting services. Our other non-current assets decreased by 85.8% from RMB7.1 million as of December 31, 2023 to RMB1.0 million as of December 31, 2024, primarily due to (i) a decrease in prepayments for property, plant and equipment as we reclassified such prepayments to other receivables upon the termination of certain construction work during the year; (ii) a decrease in deposits receivables; and (iii) a decrease in prepayment for services due to amortization.

## FINANCIAL INFORMATION

### *Inventories*

The following table sets forth a breakdown of our inventories as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>	
Raw materials . . . . .	130,755	95,772
Finished goods. . . . .	–	9,512
Low-value consumables. . . . .	204	275
<b>Total</b> . . . . .	<b>130,959</b>	<b>105,559</b>

Our inventories decreased by 19.4% from RMB131.0 million as of December 31, 2023 to RMB105.6 million as of December 31, 2024, primarily due to the increased impairment provision of raw materials in light of market conditions.

As of January 31, 2025, RMB1.3 million, or 1.2%, of our inventories as of December 31, 2024 had been subsequently consumed.

### *Trade Receivables*

Our trade receivables primarily represent outstanding sales-based royalties due from Fosun Pharmaceutical Industrial. The following table sets forth the details of our trade receivables as of the dates indicated and trade receivables turnover days for the periods indicated:

	<b>As of/for the year ended December 31,</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>	
Trade receivables. . . . .	–	26,420
Less: Impairment. . . . .	–	(8)
<b>Net</b> . . . . .	<b>–</b>	<b>26,412</b>
Trade receivable turnover days ( <i>days</i> ) <sup>(1)</sup> . . . . .	262	20

*Note:*

- (1) Calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables in that period by revenue for the corresponding period and then multiplying by 365 days for a full year period.

## FINANCIAL INFORMATION

Our trade receivables increased from nil as of December 31, 2023 to RMB26.4 million as of December 31, 2024, due to unsettled balance from Fosun Pharmaceutical Industrial. The aging of the trade receivables as at the end of each year, based on the invoice date, was less than six months.

Our trade receivable turnover day decreased from 262 days in 2023 to 20 days in 2024, primarily reflecting the settlement status from Fosun Pharmaceutical Industrial.

Our senior management regularly review the balances of our trade receivable and overdue amount, and we follow up with customers with overdue trade receivables. We perform an impairment analysis as of the end of each financial year using a provision matrix to measure expected credit losses, the calculation of which reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at of the end of each year end about past events, current conditions and forecasts of future economic conditions.

As of January 31, 2025, approximately RMB0.3 million, or 1.1% of trade receivables as of December 31, 2024 had been subsequently settled.

### *Prepayments, Other Receivables and Other Assets*

Our prepayments, other receivables and other assets consist of (i) prepayments, representing the fees prepaid for research and development services and raw materials; (ii) value-added tax recoverable, representing value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables; (iii) other receivables, representing mainly petty cash held by our employees; (iv) deferred [REDACTED] expenses representing capitalized [REDACTED] costs; and (v) receivables due from shareholders, representing the amount we prepaid for registered capital. The following table sets forth the components of our prepayments, other receivables and other assets as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>	
Prepayments . . . . .	75,138	23,327
Value-added tax recoverable . . . . .	142,286	20,871
Other receivables . . . . .	3,734	9,682
Deferred [REDACTED] expenses . . . . .	[REDACTED]	[REDACTED]
Receivables due from shareholders . . . . .	130	130
Subtotal . . . . .	222,200	55,978
Impairment . . . . .	(30,078)	(4,983)
<b>Total . . . . .</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>

## FINANCIAL INFORMATION

Our prepayments, other receivables and other assets decreased by 73.5% from RMB192.1 million as of December 31, 2023 to RMB51.0 million as of December 31, 2024, which was primarily due to (i) a decrease of value-added tax recoverable upon settlement and refunds of certain value-added tax; and (ii) and a decrease in prepayments as prepayments for R&D services decreased as the R&D activities progressed during the year.

### *Financial Assets at Fair Value Through Profit or Loss*

Our financial assets at fair value through profit or loss represent our investments in certain financial products, namely, structured deposits, issued by commercial banks in mainland China as a means of cash management. Such financial products provide us with a full guarantee of the principal at the stated maturity date. As of December 31, 2023, we recorded financial assets at fair value through profit or loss of RMB20.0 million. We did not have any financial assets at fair value through profit or loss as of December 31, 2024.

We closely monitor and control the potential risks in relation to our investments in financial products. An investment in financial products will be initiated and reviewed by our finance department and subject to the final approval from our chief executive officer.

### *Cash and Cash Equivalents*

Our cash and cash equivalents decreased by 42.2% from RMB239.4 million as of December 31, 2023 to RMB138.5 million as of December 31, 2024 as we spent cash to support our daily operations and research and development activities.

### *Trade Payables*

Our trade payables primarily arise from our engagement of clinical trial services and our purchase of raw materials and consumables. Our trade payables are normally settled in installments according to the timing of milestones. Our trade payables decreased by 42.5% from RMB235.0 million as of December 31, 2023 to RMB135.1 million as of December 31, 2024, as we settled part of the trade payables. The following table sets forth an aging analysis of our trade payables, based on the invoice date, as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>	
Within 3 months . . . . .	217,781	53,061
3 to 6 months . . . . .	14,500	7,694
6 months to 1 year. . . . .	2,691	5,336
Over 1 year . . . . .	–	69,007
	<b>234,972</b>	<b>135,098</b>



## FINANCIAL INFORMATION

As of December 31, 2024, we had trade payable balance over 1 year of RMB69.0 million, primarily in relation to R&D services and purchases of raw materials. We had developed and maintained positive business relationships with these suppliers and had on-going communications with them in relation to the settlement of outstanding balances.

As of January 31, 2025, approximately RMB14.2 million, or 10.5% of our trade payables as of December 31, 2024, had been settled.

### *Other Payables and Accruals*

Our other payables and accruals primarily consist of (i) payable for intellectual property in relation to the transfer of rights in the core patent of azvudine as we reached certain milestones. See “Business—Our Technology Transfer Arrangements and Collaborations—Zhengzhou University Technology Transfer Agreement” for details; (ii) consideration payable under the Amendment Agreement, representing the estimated payable to Fosun Pharmaceutical Industrial based on the net sales generated by us from the sales of azvudine in Mainland China over a period of five years subsequent to the effective date of the Amendment Agreement; (iii) other payables and accruals; (iv) payroll payable; (v) accrued [REDACTED] expenses; (vi) deposits received for marketing services; (vii) payables for property, plant and equipment; and (viii) tax payable. The following table sets forth the components of our other payables and accruals as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>	
Payable for intellectual property . . . . .	–	40,777
Consideration payable under the Amendment Agreement . . . . .	–	39,351
Other payables and accruals <sup>(1)</sup> . . . . .	5,940	14,195
Payroll payable . . . . .	10,865	12,140
Accrued [REDACTED] expenses . . . . .	[REDACTED]	[REDACTED]
Deposits received . . . . .	–	3,010
Payables for property, plant and equipment . . . . .	4,252	2,300
Tax payable . . . . .	339	113
	<b>[REDACTED]</b>	<b>[REDACTED]</b>

*Note:*

- (1) Primarily represent payables in relation to (i) provision for late penalty in 2024, which was made in relation to outstanding payments to our raw material suppliers. For prudence’s sake, we made provision for late penalty in accordance with the clauses stipulated in the purchase agreement in light of the delay in settlement by us. Up to the Latest Practicable Date, we had not received any requests from our suppliers in respect of the payment of such penalty; (ii) reimbursements to employees; (iii) third-party service fees; and (iv) miscellaneous procurement of low-value consumables.

Our other payables and accruals increased significantly from RMB24.6 million as of December 31, 2023 to RMB114.9 million as of December 31, 2024, primarily due to the recognition of payable for intellectual property of RMB40.8 million and the consideration payables to Fosun Pharmaceutical Industrial of RMB39.4 million pursuant to the Amendment Agreement, under which we regained the commercialization right under the Fosun Pharma Agreement.

## FINANCIAL INFORMATION

### *Contract Liabilities*

Our contract liabilities primarily represent the upfront fee we received in respect of the Fosun Pharma Agreements, which is expected to be recognized as revenue upon achievement of certain milestones under the contracts. See “—Discussion of Certain Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Revenue” for details. We had current contract liabilities and non-current contract liabilities of RMB121.9 million and RMB253.6 million, respectively, as of December 31, 2023. As of December 31, 2024, our contract liabilities in relation to the license and collaboration revenue were derecognized following the effectiveness of the Amendment Agreement. As of December 31, 2024, we had contract liabilities of RMB0.6 million in relation to the advances received from distributors. See “Business—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreements” for details of the Fosun Pharma Agreements.

### *Convertible Redeemable Preferred Shares*

In 2021 and 2022, we issued two series of redeemable preferred shares to certain investors, which will be converted to ordinary shares upon the [REDACTED]. The investments from these investors were classified as financial liabilities and designated at fair value through profit or loss. See Note 27 to the Accountants’ Report in Appendix I to this document for details.

Our convertible redeemable preferred shares increased from RMB979.9 million as of December 31, 2023 to RMB1,059.4 million as of December 31, 2024. The increases were primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company.

### *Deferred Income*

We had current deferred income of RMB21.0 million and RMB17.3 million as of December 31, 2023 and December 31, 2024, respectively; and non-current deferred income of RMB8.3 million and RMB5.3 million as of December 31, 2023 and 2024, respectively, representing amounts we received from the local governments to support our research and development activities with certain conditions that had not been fulfilled as of the relevant date. The unfulfilled conditions primarily related to completion and delivery of certain research and development activities. We expect to recognize such amount as other income and gains upon the fulfillment of such conditions.

## KEY FINANCIAL RATIO

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

	<b>As of/for the year ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2024</b>
Gross (loss)/profit margin (%) <sup>(1)</sup> . . . . .	(95.7)	69.3
Current ratio (times) <sup>(2)</sup> . . . . .	0.9	0.8
Quick ratio (times) <sup>(3)</sup> . . . . .	0.7	0.5

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## FINANCIAL INFORMATION

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*Notes:*

- (1) Gross profit/(loss) margin equals gross profit/(loss) for the period divided by revenue for that period and multiplied by 100%.
- (2) Current ratio represents current assets divided by current liabilities as of the same date.
- (3) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

We recorded gross loss margin of 95.7% in 2023 and gross profit margin of 69.3% in 2024. See “—Discussion of Certain Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Gross Profit and Gross Profit Margin” for details.

Our current ratio decreased from 0.9 as of December 31, 2023 to 0.8 as of December 31, 2024 and our quick ratio decreased from 0.7 as of December 31, 2023 to 0.5 as of December 31, 2024, primarily due to a decrease in cash and cash equivalents as we utilized our cash for operations.

### LIQUIDITY AND CAPITAL RESOURCES

#### Working Capital

Our primary uses of cash relate to the research and development of our drug candidates, our payment for the construction and purchase of equipment of our manufacturing facilities and general operating costs. During the Track Record Period, we primarily funded our working capital requirement through cash from operations and loans. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash from operations, bank balances, bank borrowings and [REDACTED] from the [REDACTED]. As of December 31, 2024, we had cash and cash equivalents of RMB138.5 million.

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds and the estimated [REDACTED] from the [REDACTED], we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, selling and distribution expenses and administrative expenses, for at least the next 12 months from the date of this document.

Our cash burn rate refers to our average monthly (i) net cash used in operating activities; and (ii) capital expenditures. Assuming that our cash burn rate going forward will be similar to the cash burn rate level for the Track Record Period, we estimate that we will have sufficient cash to maintain our financial viability for approximately [REDACTED] months from the date of this document, or, if we take into account the estimated [REDACTED] from the [REDACTED], approximately [REDACTED] months from the date of this document. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

## FINANCIAL INFORMATION

### Cash Operating Costs

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

	Year ended December 31,	
	2023	2024
	<i>(RMB in thousands)</i>	
<b>R&amp;D costs</b>		
<i>R&amp;D Costs for Core Product</i>		
Third-party contracting costs . . . . .	136,450	48,847
Staff costs . . . . .	7,890	17,484
Raw material costs . . . . .	560	365
Subtotal . . . . .	144,900	66,696
 <i>R&amp;D Costs for Other Product Candidates<sup>(1)</sup></i>		
Third-party contracting costs . . . . .	45,051	13,258
Staff costs . . . . .	27,071	45,758
Raw material costs . . . . .	3,345	2,284
Subtotal . . . . .	75,467	61,300
 <b>Total R&amp;D costs . . . . .</b>	 <b>220,367</b>	 <b>127,996</b>
 Workforce employment . . . . .	 66,811	 31,094
Non-income taxes, royalties and other governmental charges . . . . .	 187,753	 256
Product marketing <sup>(2)</sup> . . . . .	8,889	2,464
Direct production cost . . . . .	311,367	122,070
Capital expenditure . . . . .	50,099	1,108

*Notes:*

- (1) Other product candidates include CL-197, all-oral long-acting composite tablet, dosimertinib, azvudine/dosimertinib therapy, ZS-1001, ZS-1002, ZS-1003, ZS-1004 and MTB-1806.
- (2) Represents trademark registration expenses, travel and hospitality expenses as well as medical insurance platform expenses.

## FINANCIAL INFORMATION

### Current Assets and Liabilities

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,	
	2023	2024
	<i>(RMB in thousands)</i>	
<b>Current assets</b>		
Inventories . . . . .	130,959	105,559
Trade receivables . . . . .	–	26,412
Prepayments, other receivables and other assets . . .	192,122	50,995
Financial assets at fair value through profit or loss . . . . .	20,034	–
Restricted cash . . . . .	1,030	–
Cash and cash equivalents . . . . .	239,395	138,465
<b>Total current assets . . . . .</b>	<b>583,540</b>	<b>321,431</b>
<b>Current liabilities</b>		
Trade payables . . . . .	234,972	135,098
Contract liabilities . . . . .	121,867	568
Other payables and accruals . . . . .	24,634	114,913
Interest-bearing loans and other borrowings . . . . .	221,921	134,415
Lease liabilities . . . . .	6,065	4,826
Deferred income . . . . .	21,000	17,296
<b>Total current liabilities . . . . .</b>	<b>630,459</b>	<b>407,116</b>
<b>Net current liabilities . . . . .</b>	<b>(46,919)</b>	<b>(85,685)</b>

We recorded net current liabilities of RMB46.9 million and RMB85.7 million as of December 31, 2023 and 2024, respectively.

Our net current liabilities increased from RMB46.9 million as of December 31, 2023 to RMB85.7 million as of December 31, 2024, mainly attributable to a decrease in cash and cash equivalents as we utilized our cash for operations.

Our Directors have been undertaking certain measures to improve our liquidity and financial position. For example, we maintained long term and strong business relationship with major banks to get their continuing support. As of December 31, 2024, we had current interest-bearing loans of RMB134.4 million, which were due for repayment within the next twelve months. Our Directors are of the opinion that the Group will be able to either renew or obtain new banking facilities to supplement liquidity of the Group at adequate level during the next twelve months. Up to the Latest Practicable Date, we had reached agreements with the relevant banks to roll over certain loans that were reaching maturity.

## FINANCIAL INFORMATION

### Cash Flows

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

	Year ended December 31,	
	2023	2024
	<i>(RMB in thousands)</i>	
Cash flows (used in)/from operating activities		
before movement in working capital . . . . .	(293,789)	125,593
Changes in working capital . . . . .	219,533	(137,153)
Interest received . . . . .	6,216	950
Income tax paid . . . . .	(855)	–
Net cash flows used in operating activities . . . . .	(68,895)	(10,610)
Net cash flows (used in)/generated from investing activities . . . . .	(39,578)	20,228
Net cash flows generated from/(used in) financing activities . . . . .	22,166	(110,684)
Net decrease in cash and cash equivalents . . . . .	(86,307)	(101,066)
Cash and cash equivalents at beginning of the year . . . . .	324,827	239,395
Effects of foreign exchange rate changes, net . . . . .	875	136
Cash and cash equivalents at the end of the year . . . . .	<b>239,395</b>	<b>138,465</b>

### Operating Activities

In 2023, our net cash flows used in operating activities was RMB68.9 million, primarily reflecting our loss before tax of RMB783.6 million, as adjusted for non-cash and non-operating items, which primarily include (i) write-down of inventories to net realisable value of RMB353.0 million; (ii) fair value losses on convertible redeemable preferred shares of RMB75.1 million; and (iii) an impairment of prepayments of RMB30.0 million. The amount was further adjusted by positive changes in working capital, interest received of RMB6.2 million and income tax paid of RMB0.9 million. The positive changes in working capital were mainly attributable to (i) a decrease in trade receivables of RMB495.7 million as our customer, Fosun Pharmaceutical Industrial, settled the outstanding balances during the year; and (ii) an increase in trade payables of RMB193.5 million primarily attributable to an increase in purchase of raw materials.

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## FINANCIAL INFORMATION

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In 2024, our net cash flows generated from operating activities was RMB10.6 million, primarily reflecting our loss before tax of RMB40.0 million, as adjusted for non-cash and non-operating items, which primarily include fair value losses on convertible redeemable preferred shares of RMB79.5 million and a write-down of inventories of RMB34.9 million. The amount was further adjusted by negative changes in working capital and interest received of RMB1.0 million. The negative changes in working capital were mainly attributable to (i) a decrease in trade payables of RMB104.8 million as we settled part of the trade payables; (ii) a decrease of RMB86.8 million in contract liabilities in relation to recognition of revenue from the upfront fee received in respect of the Fosun Pharma Agreements upon achievement of certain milestones under the contracts; and (iii) a decrease in other payables and accruals of RMB43.7 million due to the settlements of relevant payables, partially offset by a decrease in prepayments, other receivables and other assets of RMB138.2 million, primarily due to a decreases in value-added tax recoverable upon settlement and refunds of certain value-added tax and prepayments for R&D services as the R&D activities progressed during the year.

### *Investing Activities*

In 2023, our net cash flows used in investing activities was RMB39.6 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss, which primarily represented our investments in structured deposits, of RMB307.1 million, and (ii) purchases of items of property, plant and equipment of RMB32.9 million, partially offset by proceeds upon maturity of financial assets at fair value through profit or loss of RMB317.6 million.

In 2024, our net cash flows generated from investing activities was RMB20.2 million, which was primarily attributable to proceeds upon maturity of financial assets at fair value through profit or loss of RMB50.2 million, partially offset by purchases of financial assets at fair value through profit or loss, which primarily represented our investments in structured deposits, of RMB30.1 million.

### *Financing Activities*

In 2023, our net cash flows generated from financing activities was RMB22.2 million, which was primarily attributable to proceeds from new bank loans of RMB221.7 million, partially offset by repayment of loans to third parties of RMB117.9 million.

In 2024, our net cash flows used in financing activities was RMB110.7 million, which was primarily attributable to repayment of bank loans of RMB240.0 million, partially offset by proceeds from new bank loans of RMB152.6 million.



## FINANCIAL INFORMATION

### INDEBTEDNESS

As of December 31, 2023 and 2024, except as disclosed below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, acceptance credits, hire purchase commitments, any guarantees or other material contingent liabilities. Since December 31, 2024, the latest practicable date for the purpose of the indebtedness statement, and up to the date of this document, there has been no material adverse change to our indebtedness.

	<b>As of December 31</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB in thousands)</i>	
<b>Current</b>		
Interest-bearing loans . . . . .	221,921	134,415
Lease liabilities . . . . .	6,065	4,826
<b>Non-current</b>		
Lease liabilities . . . . .	12,103	2,471
<b>Total</b> . . . . .	<b>240,089</b>	<b>141,712</b>

### Interest-Bearing Loans

Our interest-bearing loans represent bank borrowings from commercial banks in China, with interest rates ranging from 3.10% to 4.13% per annum during the Track Record Period. Our interest-bearing loans amounted to RMB221.9 million and RMB134.4 million as of December 31, 2023 and 2024, respectively.

We are subject to certain customary restrictive covenants under certain of our bank borrowings. For example, we are prohibited from merger, spin-off, or pledge, mortgage or transfer of material assets without the prior written consent of the bank, or declaration of dividends. Our Directors confirm that we had not defaulted in the repayment of our bank loans during the Track Record Period and up to the Latest Practicable Date. Our Directors have confirmed that, as of the Latest Practicable Date, there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date.

### Lease Liabilities

We recorded lease liabilities of RMB18.2 million and RMB7.3 million as of December 31, 2023 and 2024, respectively. Our lease liabilities are primarily in relation to offices premises and laboratory.

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## FINANCIAL INFORMATION

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### CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period represented purchase of items of property, plant and equipment and intangible assets. In 2023 and 2024, our capital expenditure totaled RMB50.1 million and RMB1.1 million, respectively. We plan to fund our planned capital expenditures using our cash at bank and the [REDACTED] received from the [REDACTED]. See “Future Plans and [REDACTED]” in this document. We may reallocate the funds to be utilized on capital expenditures based on our ongoing business needs.

### CONTRACTUAL COMMITMENTS

As of December 31, 2023 and 2024, we had contractual commitments, for purchases of plant and machinery, of RMB6.8 million and nil, respectively. In addition, we signed the contracts to purchase certain intellectual properties or knowledge and the total future payments amounted to RMB122.0 million as of December 31, 2023 and 2024, the payment of which is subject to the achievement of milestones. We also had lease commitments in relation to short-term leases and leases of low-value assets of RMB0.8 million as of December 31, 2023 and 2024.

### CONTINGENT LIABILITIES

As of December 31, 2023 and 2024, we did not have any contingent liabilities. We confirm that there had been no material changes or arrangements to our contingent liabilities as of the Latest Practicable Date.

### OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the Track Record Period, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

### MARKET AND OTHER FINANCIAL RISKS

We are exposed to a variety of market and other financial risks, including interest rate risk, liquidity risk and foreign currency risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider it necessary to hedge any of these risks. The discussion below provides a summary of our market and other financial risks. See Note 37 to the Accountants’ Report set out in Appendix I to this document for more information.

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## FINANCIAL INFORMATION

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### Interest Rate Risk

We are exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to interest-bearing loans. We currently do not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

### Liquidity Risk

Our objective is to maintain a continuity of funding and flexibility through the use of internally generated cash flows from operations and bank borrowings. We regularly review our major funding positions to ensure adequate financial resources in meeting our financial obligations.

### Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The fluctuations in the exchange rate between Renminbi and other currencies in which we conduct business may affect our results of operations.

## TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, we had certain transactions with related parties. See Note 34 to the Accountants’ Report set forth in Appendix I to this document for the details. As of December 31, 2023, we had lease liabilities due to Pingdingshan Xingyu for leasing of plant and buildings with a lease term of 20 years from January 1, 2019 to December 31, 2038. In 2024, we settled the outstanding lease payments in full. Accordingly, we did not record any lease liabilities due to Pingdingshan Xingyu as of December 31, 2024.

## DIVIDENDS

We are a holding company incorporated in the Cayman Islands. We had not declared or paid any dividends during the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate to pay cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. If we pay dividends in the future, in order for us to distribute dividends to our shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. In the future, we may rely to some extent on dividends and other distributions on equity from our PRC subsidiaries to fund offshore cash and financing requirements.

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## FINANCIAL INFORMATION

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### DISTRIBUTABLE RESERVES

As of December 31, 2024, we did not have any distributable reserves.

### [REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK\$[REDACTED] per Share, the total estimated [REDACTED] expenses in relation to the [REDACTED] are RMB[REDACTED] (HK\$[REDACTED]), assuming the [REDACTED] is not exercised, which constitute approximately [REDACTED]% of the gross [REDACTED]. Our total [REDACTED] expenses consist of (i) [REDACTED] and fees (including [REDACTED], Stock Exchange trading fee, SFC and AFRC transaction levy) of RMB[REDACTED] (HK\$[REDACTED]); and (ii) [REDACTED] expenses of RMB[REDACTED] (HK\$[REDACTED]), including (a) fees payable to the Sole Sponsor, legal advisors and Reporting Accountants of RMB[REDACTED] (HK\$[REDACTED]) and (b) other fees and expenses of RMB[REDACTED] (HK\$[REDACTED]). In 2023 and 2024, [REDACTED] expenses charged to profit or loss were RMB[REDACTED] and RMB[REDACTED], respectively; and [REDACTED] expenses capitalized as deferred [REDACTED] expenses were RMB[REDACTED] and RMB[REDACTED] in the corresponding years and will be deducted from equity upon [REDACTED]. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the [REDACTED] on the consolidated net tangible liabilities of our Group attributable to equity shareholders of the Company as of December 31, 2024 as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of our Company had the [REDACTED] been completed as of December 31, 2024 or at any future date.

## FINANCIAL INFORMATION

	Consolidated net tangible liabilities attributable to owners of the Company as of December 31, 2024 <sup>(1)</sup>			Estimated impact upon conversion of Preferred Shares <sup>(3)</sup>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	
	Estimated [REDACTED] from the [REDACTED] <sup>(2)</sup>				Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share as of December 31, 2024 <sup>(4)(5)</sup>	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HKD
Based on an [REDACTED] of HK\$[REDACTED] per Share . . . .	[(1,236,017)]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share . . . .	[(1,236,017)]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as of December 31, 2024 is based on the consolidated net liabilities attributable to equity shareholders of RMB1,098.5 million as of December 31, 2024 after deduction of intangible assets of RMB137.5 million, as extracted from the Accountants’ Report as set out in Appendix I in this document.
- (2) The estimated [REDACTED] from the [REDACTED] are based on the issuance of [REDACTED] Shares at estimated [REDACTED] of HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED], being the low and high ends of the indicative [REDACTED], after deduction of the [REDACTED] and other related [REDACTED] expenses payable by the Group and does not take into account any Shares which may be issued or bought back by us pursuant to the general mandates to issue or buy back Shares, and any Shares which may be issued and allotted upon exercise of [REDACTED]. The estimated [REDACTED] from the [REDACTED] is converted into Renminbi at an exchange rate of HK\$1 to RMB0.92054 published by PBOC prevailing on February 10, 2025. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.
- (3) Our Preferred Shares will be automatically converted into ordinary shares upon the [REDACTED]. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company will be increased by approximately RMB[REDACTED], being the carrying amount of the Preferred Shares as of December 31, 2024.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments as described in notes (2) and (3) above and on the basis that [REDACTED] Shares were in issue assuming that the conversion of Preferred Shares and the [REDACTED] completed on December 31, 2024 without taking into account of any Shares which may be issued or bought back by us pursuant to the general mandates to issue or buy back Shares and any Shares which may be issued upon exercise of the [REDACTED].
- (5) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1 to RMB0.92054 published by PBOC prevailing on February 10, 2025. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate at all.
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions of the Group subsequent to December 31, 2024.

## **FINANCIAL INFORMATION**

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### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, since December 31, 2024 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this document, there has been no material adverse change in our financial or trading position and there is no event which would materially affect the information shown in our consolidated financial information included in the Accountants’ Report 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.

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## FUTURE PLANS AND [REDACTED]

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### FUTURE PLANS

For details of our future plans, see “Business—Our Strategies” in this document.

#### [REDACTED]

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] after deducting the [REDACTED] and expenses payable by us in the [REDACTED], assuming no exercise of the [REDACTED] and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED] set out in this document. We intend to use the [REDACTED] from the [REDACTED] for the following purposes:

- Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be allocated to the R&D and commercialization of azvudine, our Core Product, for the treatment of HIV infection and blood cancer and solid tumors as follows:
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the ongoing post-approval Phase III clinical trial of azvudine for the treatment of HIV infection. We commenced a post-approval Phase III clinical trial in China in June 2022 to further demonstrate the safety and efficacy profile of azvudine when administered together with TDF and EFV for the treatment of HIV-infected treatment-naïve patients. We expect to complete such trial in the second half of 2025;
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the ongoing Phase I clinical trial of azvudine for the treatment of solid tumor. We expect to complete this Phase I trial in 2025, and the data from this trial will be used to support our later-phase clinical trials of azvudine and its combination therapy for the treatment of various types of blood cancer and solid tumor;
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the planned clinical trials of azvudine for the treatment of multiple myeloma, lymphoma and acute leukemia. After the completion of the ongoing Phase I clinical trial of azvudine for the treatment of solid tumor, we expect to submit IND application for Phase II clinical trials of azvudine for the treatment of multiple myeloma, lymphoma and acute leukemia in 2026, and initiate such trials as soon as practicable;
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund our commercialization of azvudine, including but not limited to further expansion of our in-house sales and marketing team, development of on-line and off-line sales and distribution channels and engagement of more CSOs; and
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund our continuing exploration of indication expansion for azvudine, such as the treatment of other tumor indications;



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## FUTURE PLANS AND [REDACTED]

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- Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be allocated to the R&D of combination therapy of azvudine, our Core Product, with our other product candidates for the treatment of HIV infection and certain tumor indications as follows:
  - Approximately HK\$[REDACTED] million (representing [REDACTED] of the [REDACTED]) will be used to fund the planned Phase I clinical trial of azvudine/anti-PD-1 for the treatment of colorectal cancer. As of the Latest Practicable Date, we were conducting an ongoing Phase I clinical trial of azvudine for the treatment of solid tumor, and we will, based on the clinical data collected from such trial and PD, PK and toxicity of azvudine/anti-PD-1 agents from further preclinical studies, submit an IND application of azvudine/anti-PD-1 for the treatment of colorectal cancer to the NMPA in 2025. We plan to commence a clinical trial of azvudine/anti-PD-1 for the treatment of colorectal cancer in 2026;
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the planned Phase I clinical trial of azvudine/anti-PD-1 agents for the treatment of liver cancer. As of the Latest Practicable Date, we were conducting an ongoing Phase I clinical trial of azvudine for the treatment of solid tumor, and we will, based on the clinical data collected from such trial and PD, PK and toxicity of azvudine/anti-PD-1 agents from further preclinical studies, submit IND application of azvudine/anti-PD-1 for the treatment of liver cancer to the NMPA in 2025. We plan to commence a clinical trial of azvudine/anti-PD-1 for the treatment of liver cancer in 2026;
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the planned Phase I clinical trial of azvudine/dosimertinib for the treatment of NSCLC. We submitted an IND application of azvudine/dosimertinib for the treatment of NSCLC to the NMPA in November 2024. We plan to commence a clinical trial of azvudine/dosimertinib for the treatment of NSCLC in 2025;
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the planned clinical trials of azvudine/CTX for the treatment of lymphoma. As of the Latest Practicable Date, we were conducting an ongoing Phase I clinical trial of azvudine for the treatment of solid tumor, and we will, based on the clinical data collected from such trial and PD, PK and toxicity of azvudine/CTX agents from further preclinical studies, submit IND applications of azvudine/CTX for the treatment of lymphoma to the NMPA in 2025. We plan to commence a clinical trial of azvudine/CTX for the treatment of lymphoma in 2026; and

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## FUTURE PLANS AND [REDACTED]

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- Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the planned clinical trials of all-oral long-acting composite tablet (azvudine/CL-197) for the treatment of HIV infection. We intend to conduct additional research on the proprietary composite tablet of azvudine and CL-197 after we confirm the safety of CL-197 through its ongoing Phase I clinical trial in China.
- Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be allocated to the R&D of our other drug candidates as follows:
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the planned Phase II clinical trial of CL-197 for the treatment of HIV infection. As of the Latest Practicable Date, the last subject of Phase I clinical trial had completed trial and we were in the process of data analysis. We expect to complete this trial in 2025 and commence Phase II trial subsequently;
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the ongoing Phase I/Phase II clinical trial of dosimertinib for the treatment of NSCLC. We commenced the Phase I/Phase II clinical trial of dosimertinib in October 2022 to evaluate the safety, tolerance, pharmacokinetic characteristics and preliminary efficacy of oral administration of dosimertinib for treatment of patients with EGFR T790M mutation-positive locally advanced or metastatic NSCLC. We expect to complete such Phase I/Phase II trial by the end of 2025;
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the ongoing preclinical studies and planned clinical trials of ZSSW-136, the first PCC compound discovered under project ZS-1003 for the treatment of malignant tumor and irinotecan-resistant tumor. As of the Latest Practicable Date, we were conducting preclinical studies of ZSSW-136. We are initiating the IND application for ZSSW-136 and expect to proceed with clinical trials after we obtain the IND approval; and
  - Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used to fund the ongoing drug discovery under projects ZS-1001, ZS-1002 and ZS-1004 for the treatment of certain cancers and preclinical studies and clinical trials of MTB-1806 for the treatment of AIS;
- Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used for the further construction of our R&D platform; and
- Approximately HK\$[REDACTED] (representing [REDACTED] of the [REDACTED]) will be used for working capital and other general corporate purposes.

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## FUTURE PLANS AND [REDACTED]

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The above allocation of the [REDACTED] will be adjusted on a *pro rata* basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED]. If the [REDACTED] is set at HK\$[REDACTED] per Share, being the high end of the indicative [REDACTED], the [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED]. If the [REDACTED] is set at HK\$[REDACTED] per Share, being the low end of the indicative [REDACTED], the [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED].

If the [REDACTED] is exercised in full, and [REDACTED] that we will receive will be approximately HK\$[REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED]). In the event that the [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] to the above purpose in the proportions stated above.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, so long as it is deemed to be in the best interests of the Company, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong. We will make an appropriate announcement if there is any change to the above proposed [REDACTED].

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**STRUCTURE OF THE [REDACTED]**

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**STRUCTURE OF THE [REDACTED]**

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]



**STRUCTURE OF THE [REDACTED]**

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]



## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

*[To insert the letterhead of the firm]*

**ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GENUINE BIOTECH LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**

**Introduction**

We report on the historical financial information of Genuine Biotech Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [●] to [●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023 and 2024 (the “Relevant Periods”), the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023 and 2024, and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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

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**ACCOUNTANTS' REPORT**

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preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

*Dividends*

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

*No historical financial statements for the Company*

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]

*Certified Public Accountants*

Hong Kong

[REDACTED]

**I HISTORICAL FINANCIAL INFORMATION**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2023</b>	<b>2024</b>
		<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5	344,210	237,868
Cost of sales		(673,615)	(73,013)
Gross (loss)/profit		(329,405)	164,855
Other income and gains	5	24,578	146,671
Administrative expenses		(104,188)	(86,399)
Research and development expenses		(238,445)	(150,687)
Selling and distribution expenses		(19,652)	(16,766)
Reversal of impairment/(impairment losses) on financial assets, net		1,120	(4,608)
Other expenses		(34,548)	(7,362)
Finance costs	7	(7,940)	(6,223)
Fair value losses on convertible redeemable preferred shares	27	(75,097)	(79,523)
LOSS BEFORE TAX	6	(783,577)	(40,042)
Income tax expense	10	—	—
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(783,577)</u>	<u>(40,042)</u>
Attributable to:			
Owners of the parent		(783,577)	(40,042)
Non-controlling interests		—	—
		<u>(783,577)</u>	<u>(40,042)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	12	(3.84)	(0.20)
Diluted (RMB)	12	(3.84)	(0.20)

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**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<i>Notes</i>	<b>As at 31 December</b>	
		<b>2023</b>	<b>2024</b>
		<i>RMB’000</i>	<i>RMB’000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>13</i>	69,491	55,999
Right-of-use assets	<i>14</i>	61,757	56,797
Intangible assets	<i>15</i>	110,998	137,479
Other non-current assets	<i>16</i>	7,079	1,004
Total non-current assets		249,325	251,279
<b>CURRENT ASSETS</b>			
Inventories	<i>18</i>	130,959	105,559
Trade receivables	<i>19</i>	–	26,412
Prepayments, other receivables and other assets	<i>17</i>	192,122	50,995
Financial assets at fair value through profit or loss	<i>20</i>	20,034	–
Restricted cash	<i>21</i>	1,030	–
Cash and cash equivalents	<i>21</i>	239,395	138,465
Total current assets		583,540	321,431
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>22</i>	234,972	135,098
Contract liabilities	<i>28</i>	121,867	568
Other payables and accruals	<i>23</i>	24,634	114,913
Interest-bearing loans	<i>24</i>	221,921	134,415
Lease liabilities	<i>14</i>	6,065	4,826
Deferred income	<i>26</i>	21,000	17,296
Total current liabilities		630,459	407,116
NET CURRENT LIABILITIES		(46,919)	(85,685)
TOTAL ASSETS LESS CURRENT LIABILITIES		202,406	165,594



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**ACCOUNTANTS’ REPORT**

	<i>Notes</i>	<b>As at 31 December</b>	
		<b>2023</b>	<b>2024</b>
		<i>RMB’000</i>	<i>RMB’000</i>
<b>NON-CURRENT LIABILITIES</b>			
Contract liabilities	28	253,576	–
Convertible redeemable preferred shares	27	979,869	1,059,392
Lease liabilities	14	12,103	2,471
Other non-current liabilities	25	9,478	196,936
Deferred income	26	8,333	5,333
		<u>1,263,359</u>	<u>1,264,132</u>
Total non-current liabilities			
Net liabilities		<u>(1,060,953)</u>	<u>(1,098,538)</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	29	135	135
Treasury shares	29	–	–
Deficits		<u>(1,061,088)</u>	<u>(1,098,673)</u>
Non-controlling interests		<u>–</u>	<u>–</u>
Total deficits		<u>(1,060,953)</u>	<u>(1,098,538)</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital	Treasury shares	Share premium	Capital Reserve	Share-based payment reserve	Accumulated losses	Total deficits
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 29)	(Note 29)	(Note 31(iii))	(Note 31(i))	(Note 31(ii))		
<b>At 1 January 2023</b>	135	(1)	20,389	10,035	125,176	(435,105)	(279,371)
Loss and total comprehensive loss for the year	-	-	-	-	-	(783,577)	(783,577)
Equity-settled share-based payment expenses	-	-	-	-	1,995	-	1,995
Vesting of restricted shares	-	1	4,326	-	(4,327)	-	-
<b>At 31 December 2023</b>	135	-***	24,715*	10,035*	122,844*	(1,218,682)*	(1,060,953)

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ACCOUNTANTS’ REPORT

Year ended 31 December 2024

	Share capital	Treasury shares	Share premium	Capital Reserve	Share-based payment reserve	Accumulated losses	Total deficits
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2024</b>	135	-**	24,715	10,035	122,844	(1,218,682)	(1,060,953)
	(Note 29)	(Note 29)	(Note 31(iii))	(Note 31(i))	(Note 31(ii))		
Loss and total comprehensive loss for the year	-	-	-	-	-	(40,042)	(40,042)
Equity-settled share-based payment expenses	-	-	-	-	2,457	-	2,457
Vesting of restricted shares	-	-	1,643	-	(1,643)	-	-
<b>At 31 December 2024</b>	135	-**	26,358	10,035*	123,658*	(1,258,724)*	(1,098,538)
	(Note 29)	(Note 29)	(Note 31(iii))	(Note 31(i))	(Note 31(ii))		

\* These reserve accounts comprise the consolidated deficits of RMB1,061,088,000 and RMB1,098,673,000 in the consolidated statements of financial position as at 31 December 2023 and 2024, respectively.

\*\* Amount less than RMB1,000.

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**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2023</b>	<b>2024</b>
		<i>RMB’000</i>	<i>RMB’000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(783,577)	(40,042)
Adjustments for:			
Bank interest income	5	(6,216)	(950)
Impairment losses/(reversal of impairment) on financial assets, net	6	(1,120)	4,608
Foreign exchange difference, net	5	(875)	(136)
Equity-settled share-based payment expenses	6	1,995	2,457
Fair value losses on convertible redeemable preferred shares	6	75,097	79,523
Losses on disposal of items of property, plant and equipment	6	3	393
Investment income on financial assets at fair value through profit or loss	5	(516)	(47)
Fair value gains on financial assets at fair value through profit or loss	5	(34)	–
Depreciation of property, plant and equipment	6	12,403	14,682
Amortisation of intangible assets	6	10,555	14,344
Depreciation of right-of-use assets	6	6,966	9,374
Impairment of prepayments	6	30,000	305
Impairment of property, plant and equipment	6	580	–
Write-down of inventories to net realisable value	6	353,010	34,859
Finance costs	7	7,940	6,223
		(293,789)	125,593
Increase in inventories		(354,152)	(9,459)
(Increase)/decrease in prepayments, other receivables and other assets		(45,818)	138,213
Decrease/(increase) in trade receivables		495,706	(26,420)
Decrease in restricted cash		6,173	1,030
(Increase)/decrease in other non-current assets		(1,377)	1,530
Increase/(decrease) in trade payables		193,513	(104,835)
Decrease in contract liabilities		(22,849)	(86,790)
Increase/(decrease) in deferred income		25,933	(6,704)
(Decrease)/increase in other payables and accruals		(87,074)	(43,718)
Increase in other non-current liabilities		9,478	–

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**ACCOUNTANTS’ REPORT**

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2023</b>	<b>2024</b>
		<i>RMB’000</i>	<i>RMB’000</i>
Cash used in operations		(74,256)	(11,560)
Interest received		6,216	950
Income tax paid		(855)	–
Net cash flows used in operating activities		<u>(68,895)</u>	<u>(10,610)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial assets at fair value through profit or loss		(307,100)	(30,070)
Proceeds upon maturity of financial assets at fair value through profit or loss		317,621	50,151
Proceeds from disposal of items of property, plant and equipment		–	1,255
Purchases of items of property, plant and equipment		(32,862)	(1,060)
Purchases of intangible assets		(17,237)	(48)
Net cash flows (used in)/generated from investing activities		<u>(39,578)</u>	<u>20,228</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		221,715	152,589
Repayment of loans to third parties		(117,890)	–
Repayment of bank loans		(49,157)	(240,040)
Payment for [REDACTED] expense		[REDACTED]	[REDACTED]
Receipt of rental deposit		462	245
Payment of rental deposit		(1,708)	(159)
Principal portion of capital element of lease payments		(3,450)	(15,285)
Payment of expense related to the issuance of preferred shares		(19,207)	(851)
Interest paid		(8,051)	(5,989)
Net cash flows generated from/(used in) financing activities		<u>[REDACTED]</u>	<u>[REDACTED]</u>

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**ACCOUNTANTS’ REPORT**

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2023</b>	<b>2024</b>
		<i>RMB’000</i>	<i>RMB’000</i>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(86,307)	(101,066)
Cash and cash equivalents at beginning of year		324,827	239,395
Effect of foreign exchange rate changes, net		875	136
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>239,395</b>	<b>138,465</b>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statements of financial position	<i>21</i>	239,395	138,465
Cash and cash equivalents as stated in the consolidated statements of cash flows		239,395	138,465

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**ACCOUNTANTS’ REPORT**

**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

	<i>Notes</i>	<b>As at 31 December</b>	
		<b>2023</b>	<b>2024</b>
		<i>RMB’000</i>	<i>RMB’000</i>
<b>NON-CURRENT ASSETS</b>			
Investment in a subsidiary		736,779	756,008
Total non-current assets		736,779	756,008
<b>CURRENT ASSETS</b>			
Prepayments, other receivables and other assets	17	4,001	5,353
Cash and cash equivalents	21	44,286	14,378
Total current assets		48,287	19,731
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	23	3,490	3,149
Total current liabilities		3,490	3,149
NET CURRENT ASSETS		44,797	16,582
TOTAL ASSETS LESS CURRENT LIABILITIES		781,576	772,590
<b>NON-CURRENT LIABILITIES</b>			
Convertible redeemable preferred shares	27	979,869	1,059,392
Total non-current liabilities		979,869	1,059,392
Net liabilities		(198,293)	(286,802)
<b>EQUITY</b>			
Share capital	29	135	135
Treasury shares	29	–	–
Deficits	31	(198,428)	(286,937)
Total deficits		(198,293)	(286,802)

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### II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 September 2019. The address of the registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company’s subsidiaries were involved in the research and development and sales of innovative antiviral and other drugs.

The Company and its subsidiaries now comprising the Group underwent the Corporate Reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Document. Apart from the Corporate Reorganisation, the Company has not commenced any business or operation since its incorporation.

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 (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	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	
Genuine Biotech (BVI) Limited ( <i>note (a)</i> )	British Virgin Islands (“BVI”) 9 October 2019	US\$101	100%	–	Investment holding
Genuine Biotech HK Limited (真實生物科技香港有限公司) ( <i>note (b)</i> )	Hong Kong 31 October 2019	HKD10,000	–	100%	Investment holding
Henan Genuine Biotech Co., Ltd.* (河南真實生物科技有限公司, “Henan Genuine”) ( <i>note (c)</i> )	People’s Republic of China (“PRC”)/ Mainland China 12 September 2012	RMB800,000,000	–	100%	Manufacture and sale of pharmaceutical drugs and product research and development
Shenzhen Genuine Biomedical Technology Co., Ltd.* (深圳真實生物醫藥科技有限公司, “Shenzhen Genuine”) ( <i>note (c)</i> )	PRC/Mainland China 2 January 2020	RMB115,000,000	–	100%	Product research and development
Shanghai Innov Kong Biomedical Technology Co., Ltd.* (上海翊維康醫藥有限公司, “Innov Kong”) ( <i>note (c)</i> )	PRC/Mainland China 18 November 2022	RMB20,000,000	–	100%	Product research and development
Henan Baoyuan Pharmaceutical Co., Ltd.* (河南寶源醫藥有限公司) ( <i>note (d)</i> )	PRC/Mainland China 9 June 2023	RMB10,000,000	–	100%	Sale of pharmaceutical drugs

*Notes:*

- (a) As at the date of this report, no audited financial statements of this entity have been prepared since the date of incorporation as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.



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## ACCOUNTANTS’ REPORT

- (b) The statutory financial statements of this entity for the year ended 31 December 2023 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, were audited by Ernst & Young. As at the date of this report, no audited financial statements of this entity for the year ended 31 December 2024 have been prepared.
  - (c) The statutory financial statements of the entities for the year ended 31 December 2023 prepared in accordance with Accounting Standards for Business Enterprises – Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions (“PRC GAAP”) issued by the Ministry of Finance, were audited by Da Hua Certified Public Accountants LLP (大華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. As at the date of this report, no audited financial statements of this entity for the year ended 31 December 2024 have been prepared.
  - (d) The statutory financial statements of this entity for the period from the incorporate date to 31 December 2023 prepared in accordance with PRC GAAP, were audited by Da Hua Certified Public Accountants LLP (大華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. As at the date of this report, no audited financial statements of this entity for the year ended 31 December 2024 have been prepared.
- \* The English names of these companies represent the best effort made by the directors of the Company (the “Directors”) to translate the Chinese names as these companies have not been registered with any official English names.

### 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Document, the Company became the holding company of the companies now comprising the Group on 30 October 2020.

As the Reorganisation mainly involved inserting new holding companies above an existing company and has not resulted in any change of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing companies using the pooling of interest method.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the consolidated results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation of the subsidiaries, where there is a shorter period. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

### 2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value.

As at 31 December 2024, the Group recorded net current liabilities of RMB85,685,000 and net liabilities of RMB1,098,538,000 and incurred accumulated losses from operations. The directors of the Company have reviewed the Group’s cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2024 and are based on the following:

- (i) the Group has obtained a bank facility of RMB100,000,000 covering a period up to 31 December 2026;
- (ii) the payment of a substantial amount for intellectual property has been extended as agreed with the supplier subsequent to 31 December 2024;

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## ACCOUNTANTS’ REPORT

- (iii) the government grants of substantial amounts are expected to be received in 2025;
- (iv) the Group can achieve certain level of sales of azvudine for the treatment of COVID-19 and the treatment of HIV infection in 2025 and the sales are expected to grow at 7% in 2026;
- (v) the customers are expected to pay with an average debtors’ settlement period of 2 months.

Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, the internally generated funds from operations, available bank facilities, the ability in adjusting the pace of the R&D projects and capital investments at management’s discretion, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due for the next twelve months from 31 December 2024, and accordingly, the Historical Financial Information has been prepared on a going concern basis.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i>
Amendments to IAS 21	<i>Lack of Exchangeability<sup>2</sup></i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments<sup>3</sup></i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity<sup>3</sup></i>
Annual Improvements to IFRS Accounting Standards-Volume 11	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7<sup>3</sup></i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements<sup>4</sup></i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures<sup>4</sup></i>

<sup>1</sup> No mandatory effective date yet determined but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards will have an impact on the presentation and disclosure of the Group’s financial statements but will not have a significant impact on the Group’s results of operations and financial position.

### 2.4 MATERIAL ACCOUNTING POLICIES

#### Subsidiaries

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).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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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.

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. The results of subsidiaries are included in the Company's profit or loss to the extent of dividend received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

### **Fair value measurement**

The Group measures its certain financial instruments at fair value 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 non-financial asset is required (other than inventories), 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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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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 the statement of 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 the statement of 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.

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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:

	Shorter of remaining lease terms and estimated useful lives
Leasehold improvements	
Plant and machinery	5% to 20%
Office equipment and furniture	20% to 33 $\frac{1}{3}$ %
Motor vehicles	20%

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 reporting period 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 the statement of 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 reporting period end.

#### ***Intellectual property***

Purchased Intellectual property is stated at cost less any impairment losses and is amortised on the straight-line basis over the amortisation period, which is determined on the shorter of its remaining validity period and its estimated useful life of 11 to 20 years.

#### ***Trademark***

Purchased trademark is initially recognised and measured at cost. The cost is amortised on the straight-line basis over its estimated useful life of 10 years.

#### ***Software***

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 years.

#### ***Research and development costs***

All research costs are charged to the statement of 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.

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### 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:

Plant and buildings	2 to 20 years
Motor vehicles	2 to 5 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 motor vehicles and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

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 the statement of profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



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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 1 year past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group’s credit risk control practices and the historical recovery rate of financial assets over 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 and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the 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 the end of each of the Relevant Periods. 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.



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### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade payables, financial liabilities included in other payables and accruals and other non-current liabilities, interest-bearing loans, and convertible redeemable preferred shares.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include convertible redeemable preferred shares, which are designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group’s own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss.

The convertible redeemable preferred shares are classified as non-current liabilities when the holders of the convertible redeemable preferred shares cannot demand the Company to redeem the convertible redeemable preferred shares until at least 12 months after the end of the financial period.

##### *Financial liabilities at amortised cost (trade and other payables, loans and borrowings)*

After initial recognition, interest-bearing loans, trade payables, and financial liabilities included in other payables and accruals and other non-current liabilities 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 the statement of 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 the statement of 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 the statement of profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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.

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### Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### 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 the 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 the statement of 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 the 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 the 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, 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.

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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, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of 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 the end of 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 the end of the 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 the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

### **Revenue recognition**

#### ***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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.

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### *(a) License and collaboration revenue*

The Group enters into a license and collaboration agreement (“the Agreement”) for research, development, manufacturing and commercialization services with one customer in 2022. Pursuant to the Agreement, the Group will conduct strategic cooperation in relation to the development and exclusive commercialization of azvudine for the treatment and prevention of COVID-19 and HIV infection (the “Cooperation Products”) in Mainland China (excluding Hong Kong, Macau and Taiwan). The Group is entitled to a non-refundable upfront fee of RMB100 million payable within five business days after the execution of the Agreement, a non-refundable cooperation fee of RMB399.5 million within seven business days after completion and satisfaction of prerequisite due diligence and evaluation process, and sales-based royalties based on the profit sharing from sales of the Cooperation Products.

At contract inception, the Group assesses the goods or services promised within each contract and determines whether those are performance obligations, and assesses whether each promised good or service is distinct. In assessing whether a license is distinct from the other promises, the Group considers factors such as the research, development, manufacturing and commercialization capabilities of the customer and the availability of the associated expertise in the general marketplace. In addition, the Group considers whether the customer can benefit from a license for its intended purpose without the receipt of the remaining promises by considering whether the value of the license is dependent on the unsatisfied promises, whether there are other vendors that could provide the remaining promises, and whether it is separately identifiable from the remaining promises. Given that the Group is the marketing authorization holder of azvudine in Mainland China and the Group should be responsible for manufacturing the Cooperation Products as stipulated in the Agreement, the customer cannot benefit from the license without the manufacturing services, and therefore, the license granted to the customer and the manufacturing services are not distinct and instead combined as a single performance obligation. The Group determined that the promises in the Agreement represent three performance obligations, including: (i) the research and development service for clinical studies on azvudine for the treatment of HIV infection; (ii) the manufacturing services for the treatment of HIV infection, and (iii) the manufacturing services for the treatment of COVID-19.

The Group uses judgement to determine whether milestones or other variable consideration, should be included in the transaction price. Upon contract inception, the Group has estimated that the total transaction price is constrained to RMB499.5 million which included upfront fee of RMB100 million and cooperation fee of RMB399.5 million. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognizes revenue as or when the performance obligations under the contract are satisfied. As sales-based royalties relate specifically to the Group’s efforts to satisfy the performance obligation of the manufacturing services of the Cooperation Products, they are allocated entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

### **Research and development services**

Revenue from research and development service is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

### **Manufacturing services of the Cooperation Products**

Revenue from manufacturing services of the Cooperation Products (i.e. azvudine for the treatment of HIV infection or azvudine for the treatment of COVID-19) is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits from the manufacturing services provided by the Group. The output method recognises revenue based on the proportion of the actual quantity of goods manufactured for customer in each reporting period to the forecasted total quantity that would be manufactured during the entire life of the Cooperation Products.

### **Sales-based royalties**

Sales-based royalties are recognised as revenue when the subsequent sale occurs, and the amount is determinable and agreed by the customer.

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### **Other variable considerations**

The Agreement also stipulates that for the donations of goods agreed upon by the Group and the customer, the customer will compensate the Group with part of the production costs. The compensation is recognised as revenue when the donations occur and the compensation amount is agreed.

During the year ended 31 December 2023, some products supplied to the customer were approaching expiry date but not sold by the customer due to the unexpected development of COVID-19. After the negotiation, the customer agreed to share part of the actual manufacturing costs incurred by the Group for those goods. The additional cost compensation represented the additional variable consideration which is allocated entirely to the performance obligation of the manufacturing services of the Cooperation Products. The change in transaction price does not affect the measurement of progress which is still based on quantity produced over total expected quantity to be manufactured in the entire product life. The cost compensation was recognised as revenue in 2023 when it was determinable and agreed by the customer.

#### *Amendment to the Agreement*

The Group signed an amendment agreement to the Agreement with the customer (“Amendment Agreement”) on 26 September 2024. Pursuant to the Amendment Agreement, the exclusive commercialization rights granted to the customer have been regained, and thereafter, the Group becomes the sole owner of the commercialization right over azvudine in Mainland China and no longer has to fulfil its obligations to manufacture the Cooperation Products for the customer. The research and development service for clinical studies on azvudine for the treatment of HIV infection under the Agreement was also terminated. In return, the Group has agreed to pay to the customer (i) a fixed payment of RMB60 million and (ii) a variable payment, calculated as 10% of the Group’s net sales generated from sales of the Cooperation Products in mainland China within a period of five years subsequent to the effective date of the Amendment Agreement.

The Amendment Agreement represented contract modification under IFRS 15. Considering the Group no longer needs to fulfil the performance obligations as identified in the Agreement and the amendment is a termination to the arrangement under the Agreement, on the date of termination, the contract liabilities was derecognised and the estimated consideration payable to the customer as agreed in the Amendment Agreement was recognised, with the differences being recognised as an adjustment to revenue.

Paragraph 15 of IFRS 15 requires an entity to recognise the consideration received as revenue only when the consideration received from the customer is non-refundable. Therefore, any additional revenue arising from the variable consideration payable to the customer is only recognized when the amount is certain and not refundable. On this basis, on the termination date and subsequently at each reporting period ending within the 5 years subsequent to the effective date of the Amendment Agreement, the Group estimates the consideration payable to the customer and compares that with the amount of contract liabilities on the termination date, if the difference represents deduction of revenue, it is recognised immediately; if the difference represents additional revenue, it is only recognised at the end of the aforementioned 5 years when the amount is not refundable.

#### *(b) Sales of goods*

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery and acceptance of the goods by the customers.

### **Revenue from other sources**

#### *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

#### *Contract liabilities*

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

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### Share-based payments

The Group provided share incentives to employees. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees of the Group 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 the share award is determined using the discounted cash flow model, further details of which are given in note 30 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of 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 the statement of 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.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

### Employee benefits

#### *Pension scheme*

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Borrowing costs

All 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.

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### Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

### Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

#### *Determining the performance obligations of the Agreement*

A good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and (b) the entity’s promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

In assessing whether each item has standalone value to the customer, the Group considers factors such as the research, manufacturing, and commercialization capabilities of the customer and the availability of the associated expertise in the general marketplace, which indicates that the customer can benefit from both license and service on their own. The Group determined that the promises to transfer the licenses and provide research and development service are capable of being distinct and separately identifiable. The Group also determined that the promises to transfer the licenses and provide research and development services are distinct within the context of the contract.



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The Group is not providing a significant integration service because the presence of the licenses and research and development services together in the contract does not result in any additional or combined functionality and neither the licenses nor the research and development modifies or customises the other. In addition, the licenses and research and development services are not highly interdependent or highly interrelated, because the Group would be able to transfer the licenses even if the customer declined research and development services and would be able to provide research and development service if other distributors have such request. However, the Group determined that the promises to transfer the licenses and to provide manufacturing services of the Cooperation Products are not distinct within the context of the contract, as the Group is the marketing authorization holder of azvudine in Mainland China and the customer cannot benefit from the licenses without the manufacturing services.

### *Research and development expenses*

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. Determining the amounts to be capitalised or expensed requires management to make assumptions and judgements. In the opinion of management, during the Relevant Periods the criteria for capitalization of development costs were not met and development expenditure were expensed.

### *Estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, 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.

### *Stand-alone selling prices of each performance obligation*

The Group has allocated the transaction price to each performance obligation of the Agreement based on relative standalone selling prices. The standalone selling prices are not directly observable, therefore the Group estimates using income approach for the manufacturing services of the Cooperation Products and expected cost plus margin approach for research and development services with the assistance of an independent third-party valuer. The Group has considered all information that is reasonably available, including but not limited to, industry pricing and forecast, costs incurred to provide the services, related profit margins, discount rates.

### *Estimation of process towards completion of performance obligations*

The Group measures the progress of completion for the manufacturing services of the Cooperation Products according to the proportion of actual quantity of goods manufactured for customer in each reporting period to the forecasted total quantity that would be manufactured during the entire life of the Cooperation Products. The Group measures the progress of completion for the research and development services based on the percentage of actual incurred costs to the total expected costs to complete the performance obligation. Total forecasted quantity that would be manufactured during the entire life of the Cooperation Products and total expected costs that would incur for the research and development services require estimations from management based on understanding of the performance of the contract, market demand of the Cooperation Products and the Group’s historical experience. The Group reviews and revises the estimates during the entire life of the Cooperation Products prepared for the Agreement as the research and development service and commercialization progress.

### *Estimation of variable consideration payable to the customer under the Amendment Agreement*

On the termination date and subsequently at each reporting period ending within the 5 years subsequent to the effective date of the Amendment Agreement, the Group estimates the consideration payable to the customer and recognises additional revenue when the amount is certain and not refundable. In estimating the consideration payable to the customer under the Amendment Agreement, the Group considers market demand of the Cooperation Products in Mainland China, the sales orders on hand, current industry practice and its historical experience. Based on the Group’s estimation, the consideration payable to the customer was less than the amount of contract liabilities on the termination date and as at 31 December 2024, therefore, no adjustment to revenue was recognized in 2024.



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### *Useful lives of intangible assets*

The Group’s finite life intangible assets primarily represent intellectual property and trademark. These intangible assets are amortised on a straight-line basis over their useful economic lives, which are estimated to be the shorter of their remaining validity period and their estimated useful lives. Additional amortisation is recognised if the estimated useful lives are different from the previous estimation. Useful lives are reviewed at the end of each of the Relevant Periods based on changes in circumstances.

### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. 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 values of those cash flows.

### *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).

### *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers’ needs and prices change when the products’ expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

### *Recognition of income taxes and deferred tax assets*

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 10 to the Historical Financial Information.

### *Fair value of convertible redeemable preferred shares*

The fair value of the convertible redeemable preferred shares issued by the Company is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or the liquidation event as well as the probability of the various scenarios were based on the Group’s best estimates. Further details are included in note 27 to the Historical Financial Information.

### *Fair value of share-based payment transactions*

The fair value of the share awards in share-based payment transactions is determined by using the most appropriate valuation model based on the terms and conditions of the awards. Significant estimates on assumptions for estimating the fair value are made by the Group, further details of which are included in note 30 to the Historical Financial Information.

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### 4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group as a whole for the purpose of making decision on resources allocation and preformation assessment, therefore, no operating segment information is presented.

#### Geographical information

(a) *Revenue from external customers*

During the Relevant Periods, all of the Group’s external customers were located in Mainland China.

(b) *Non-current assets*

During the Relevant Periods, all of the Group’s non-current assets were located in Mainland China.

#### Information about a major customer

During the Relevant Periods, revenue derived from sales to the customer A was RMB344,210,000 and RMB235,922,000, accounting for 100% and 99% of the total revenue of the Group.

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from contracts with customers	344,210	237,868

#### Revenue from contracts with customers

(i) *Disaggregated revenue information*

	Year ended 31 December	
	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>
<b>Types of goods or services</b>		
Sale of goods	–	1,946
License and collaboration revenue		
– Research and development services	66,341	9,803
– Manufacturing services for the treatment of COVID-19	32,478	1,586
– Sales-based royalties	185,702	224,533
– Other variable considerations*	59,689	–
Total revenue from contracts with customers	344,210	237,868
<b>Geographical markets</b>		
Mainland China	344,210	237,868
<b>Timing of revenue recognition</b>		
Transferred at the point in time	245,391	226,479
Transferred over time	98,819	11,389
Total revenue from contracts with customers	344,210	237,868

\* Other variable considerations recognised for the year ended 31 December 2023 represented the cost compensation for the manufacturing services as agreed with the customer.

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The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
License and collaboration revenue		
– Research and development services	66,341	9,803
– Manufacturing services for the treatment of COVID-19	32,478	1,586
	98,819	11,389
	98,819	11,389

**(ii) Performance obligations**

Information about the Group’s performance obligations is summarised below:

*Sales of goods*

The performance obligation is satisfied upon delivery of the goods and acceptance by the customers. The credit term is generally 30 to 180 days.

*Research and development services*

The performance obligation is generally satisfied over time as services are rendered. At inception the amount allocated to research and development services was approximately RMB226 million.

*Manufacturing services for the treatment of COVID-19*

The performance obligation is satisfied over time as the progress of the goods manufactured. At inception the amount allocated to manufacturing services for the treatment of COVID-19 was approximately RMB195 million.

*Manufacturing services for the treatment of HIV infection*

The performance obligation is satisfied over time as the progress of the goods manufactured. At inception the amount allocated to manufacturing services for the treatment of HIV infection was approximately RMB50 million. During the Relevant Periods, no revenue was recognised for this performance obligation as no goods were manufactured for this infection.

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The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts expected to be recognised as revenue:		
– Sale of good		
Within one year	–	568
– License and collaboration revenue		
Within one year	45,897	–
Two to five years	89,255	–
Six to ten years	73,409	–
After ten years	90,912	–
<b>Total</b>	<b>299,473</b>	<b>568</b>

As at 31 December 2023, the amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised related to the manufacturing services and research and development services under the license and collaboration revenue, of which the performance obligations are estimated to be satisfied over 16 years and 7 years, respectively. As the Agreement was terminated on 26 September 2024, no remaining performance obligations existed under the license and collaboration revenue as at 31 December 2024.

The amounts disclosed above do not include variable consideration which is constrained.

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Other income</u>		
Investment income on financial assets at fair value through profit or loss	516	47
Government grants*	13,255	21,671
Additional deduction for input VAT**	3,134	2,478
Bank interest Income	6,216	950
Subsidy for production costs***	–	121,067
Others	548	322
<b>Total other income</b>	<b>23,669</b>	<b>146,535</b>
<u>Gains</u>		
Fair value gains on financial assets at fair value through profit or loss	34	–
Foreign exchange gains, net	875	136
<b>Total gains</b>	<b>909</b>	<b>136</b>

\* The government grants mainly represented amounts received from the local governments for the purpose to compensate for expenses spent on research and clinical trials and award for new drug development. There were no unfulfilled conditions or contingencies relating to the government grants.

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\*\* On 3 September 2023, the MOF and the STA of China jointly issued the Public Announcement on Strengthening the VAT Reform Policies, or Public Announcement [2023] No. 43, pursuant to which, from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to deduct an additional 5% of the deductible input VAT. Certain subsidiaries of the Group were within the above scope and the additional deductible input VAT was recognised as other income during the Relevant Periods.

\*\*\* It represented the one-off subsidy received in 2024 to compensate for the production costs incurred by the Group in early 2023 when the Group produced azvudine at full capacity during the COVID-19 situation. As there was no contract with the customers in relation to such production of goods, the subsidy is not a consideration to obtain goods or services that are an output of the Group’s ordinary activities, such amount was recognised as other income in 2024 when the amount was confirmed.

### 6. LOSS BEFORE TAX

The Group’s loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December	
		2023	2024
		RMB’000	RMB’000
Cost of manufacturing service of azvudine for COVID-19		258,966	26,042
Cost of research and development services provided		61,639	9,108
Cost of goods sold		–	3,005
Employee benefit expenses (excluding directors’ and chief executive’s remuneration (note 8))			
Wages and salaries		81,418	62,753
Pension scheme contributions*		14,444	13,942
Equity-settled share-based payment expenses	30	184	2,457
		<u>96,046</u>	<u>79,152</u>
Depreciation of property, plant and equipment***	13	12,403	14,682
Depreciation of right-of-use assets	14	6,966	9,374
Write-down of inventories to net realisable value**		353,010	34,859
Amortisation of intangible assets	15	10,555	14,344
(Reversal of impairment)/impairment losses on financial assets, net		(1,120)	4,608
Impairment of prepayments***	17	30,000	305
Impairment of property, plant and equipment***	13	580	–
Lease payments not included in the measurement of lease liabilities	14	1,741	255
Auditor’s remuneration		20	20
[REDACTED] expenses		[REDACTED]	[REDACTED]
Clinical trial data usage fee****		1,621	850
Fair value losses on convertible redeemable preferred shares	27	75,097	79,523
Loss on disposal of items of property, plant and equipment		3	393

\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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\*\* Write-down of inventories to net realisable value is included in “Cost of sales” in the consolidated statements of profit or loss and other comprehensive income and not included in the “Cost of manufacturing service of azvudine for COVID-19” or “Cost of goods sold” as disclosed above.

At the beginning of 2023, the Group manufactured approximately 20 million bottles of azvudine in response to the COVID situation. A full provision of RMB226,164,000 was provided for such finished goods in 2023.

\*\*\* Impairment of prepayments and impairment of property, plant and equipment are included in “Other expenses” in the consolidated statements of profit or loss and other comprehensive income.

\*\*\*\* In May 2022, the Group entered into an agreement with a third party, pursuant to which, the third party provided the Group with the clinical trial data to assist the new drug approval of azvudine, the Group should pay the third party the clinical trial data usage fee based on certain proportion of the invoiced amount of azvudine for the treatment of COVID-19 in Mainland China. The total clinical trial data usage fee amounted to RMB1,621,000 and RMB850,000 during the Relevant Periods, were included in “Selling and distribution expenses” in the statement of profit or loss and other comprehensive income.

### 7. FINANCE COSTS

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	6,765	5,499
Interest on loans from third parties	566	–
Accrued interest on long-term payables for inventories	–	289
Interest on lease liabilities ( <i>note 14</i> )	609	435
	<u>7,940</u>	<u>6,223</u>
Total	<u><u>7,940</u></u>	<u><u>6,223</u></u>

### 8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of the directors is set out below:

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Fees	–	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	13,489	10,388
Equity-settled share-based payment expenses	1,810	–
Pension scheme contributions	89	34
	<u>15,388</u>	<u>10,422</u>
Total	<u><u>15,388</u></u>	<u><u>10,422</u></u>

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**(a) Independent non-executive directors**

There were no fees and other emoluments paid to the independent non-executive directors during the Relevant Periods.

**(b) Executive directors, non-executive directors and the chief executive**

**Year ended 31 December 2023**

	<b>Fees</b>	<b>Salaries, bonuses, allowances and benefits in kind</b>	<b>Equity-settled share-based payment expenses</b>	<b>Pension scheme contributions</b>	<b>Total remuneration</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:					
Dr. Du Jinfu ( <i>Note (i)</i> )	–	5,550	–	–	5,550
Mr. Liu Yong ( <i>Note (ii)</i> )	–	3,004	–	36	3,040
Dr. Dang Qun ( <i>Note (iii)</i> )	–	3,500	1,810	36	5,346
Mr. Wang Lin ( <i>Note (v)</i> )	–	1,000	–	17	1,017
	–	13,054	1,810	89	14,953
Non-executive directors:					
Mr. Qiao Sandong ( <i>Note (vi)</i> )	–	–	–	–	–
Mr. Zhu Jinqiao ( <i>Note (vii)</i> )	–	–	–	–	–
Mr. He Ruyi ( <i>Note (iv)</i> )	–	435	–	–	435
Total	–	13,489	1,810	89	15,388

**Year ended 31 December 2024**

	<b>Fees</b>	<b>Salaries, bonuses, allowances and benefits in kind</b>	<b>Equity-settled share-based payment expenses</b>	<b>Pension scheme contributions</b>	<b>Total remuneration</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:					
Dr. Du Jinfu ( <i>Note (i)</i> )	–	5,000	–	–	5,000
Dr. Dang Qun ( <i>Note (iii)</i> )	–	3,444	–	–	3,444
Mr. Wang Lin ( <i>Note (v)</i> )	–	1,500	–	34	1,534
	–	9,944	–	34	9,978

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	Fees	Salaries, bonuses, allowances and benefits in kind	Equity-settled share-based payment expenses	Pension scheme contributions	Total remuneration
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-executive directors:					
Mr. Zhu Jinqiao <i>(Note (vii))</i>	–	–	–	–	–
Mr. He Ruyi <i>(Note (iv))</i>	–	444	–	–	444
Mr. Li Juhe <i>(Note (viii))</i>	–	–	–	–	–
Total	–	10,388	–	34	10,422

Notes:

- (i) Dr. Du Jinfa was appointed as a director of the Company on 26 September 2019 and was re-designated as an executive director of the Company on 1 August 2022. Dr. Du Jinfa was also serving as the chairman of the board of directors, the chief executive and chief scientific officer of the Company.
- (ii) Mr. Liu Yong was appointed as a director of the Company on 26 September 2019 and resigned on 30 September 2023.
- (iii) Dr. Dang Qun was appointed as an executive director of the Company on 1 August 2022. Dr. Dang Qun was also serving as the president and chief business officer of the Company.
- (iv) Mr. He Ruyi was appointed as an independent non-executive director of the Company on 1 August 2022.
- (v) Mr. Wang Lin was appointed as a director of the Company on 26 September 2019 and was re-designated as an executive director of the Company on 1 August 2022.
- (vi) Mr. Qiao Sandong was appointed as a non-executive director of the Company on 1 August 2022 and resigned on 30 September 2023.
- (vii) Mr. Zhu Jinqiao was appointed as a director of the Company on 12 April 2022 and a non-executive director of the Company on 1 August 2022.
- (viii) Mr. Li Juhe was appointed as a non-executive director of the Company on 1 May 2024.

During the Relevant Periods, shares were granted to certain directors in respect to their services rendering to the Group, further details of which are set out in note 30 to the Historical Financial Information. The fair value of such granted shares, which has been recognised in the statement of profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above directors’ remuneration disclosures.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.



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**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the Relevant Periods, include three and two directors respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two and three highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December	
	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses, allowances and benefits in kind	5,680	6,381
Equity-settled share-based payment expenses	–	504
Pension scheme contributions	85	91
<b>Total</b>	<b>5,765</b>	<b>6,976</b>

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	
	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>
HK\$1,000,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$4,000,000	2	2
HK\$4,000,001 to HK\$5,000,000	–	–

**10. INCOME TAX**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and the Group’s subsidiary are not subject to any income tax in the Cayman Islands and the BVI, respectively.

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods. No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the assessable profits, in accordance with the PRC Income Tax Law and the respective regulations which were approved and became effective on 1 January 2008.

Henan Genuine and Shenzhen Genuine are qualified high and new technology enterprises and was subject to income tax at a preferential tax rate of 15% during the Relevant Periods.

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A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Group’s major operating activities are domiciled to the tax expense at the effective tax rate is as follows:

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Loss before tax	(783,577)	(40,042)
Tax at the statutory tax rate	(195,894)	(10,011)
Effect of different tax rates enacted by local authorities	87,370	14,702
Effect of research and development expenses that are additionally deducted	(10,041)	(19,421)
Expenses not deductible for tax	4,697	4,617
Effect of deductible temporary difference not recognised	61,272	(6,699)
Tax losses not recognised	52,596	16,812
Tax charge at the Group’s effective rate	–	–

Based on Public Notice [2023] No. 7 issued by the State Tax Bureau of the PRC on 26 March 2023, the enterprises originally eligible for additional 75% deduction of eligible R&D expenses can further enjoy an increased super deduction ratio of 100% since 1 January 2023. Henan Genuine, Shenzhen Genuine and Innov Kong have claimed such additional super deduction during the Relevant Periods.

The Group has accumulated tax losses in Mainland China of RMB385,564,000 and RMB471,138,000 as at 31 December 2023 and 2024, respectively, that will expire in one to ten years for offsetting against future taxable profits of the companies located in Mainland China in which the tax losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

**11. DIVIDENDS**

No dividend has been paid or declared by the Company since its date of incorporation and up to the end of the Relevant Periods.

**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 (excluding shares reserved for share award plan) during the Relevant Periods.

The weighted average number of ordinary shares used in the calculation of the diluted loss per share amounts is the number of ordinary shares in issue during the year, 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.

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods, in respect of a dilution as the impact of the preferred shares and share awards had an anti-dilutive effect on the basic loss per share amounts presented.

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The calculations of basic and diluted loss per share are based on:

	Year ended 31 December	
	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculations	(783,577)	(40,042)
	<u>(783,577)</u>	<u>(40,042)</u>
	Number of shares	
	Year ended 31 December	
	2023	2024
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year, used in the basic loss per share calculation	204,228,301	204,731,680
	<u>204,228,301</u>	<u>204,731,680</u>

**13. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements	Office equipment and furniture	Plant and machinery	Motor vehicles	Construction in progress	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2023</b>						
At 1 January 2023:						
Cost	23,198	4,839	22,831	462	597	51,927
Accumulated depreciation and impairment	(6,125)	(1,874)	(5,370)	(56)	–	(13,425)
Net carrying amount	<u>17,073</u>	<u>2,965</u>	<u>17,461</u>	<u>406</u>	<u>597</u>	<u>38,502</u>
At 1 January 2023, net of accumulated depreciation	17,073	2,965	17,461	406	597	38,502
Additions	12,632	996	30,347	–	–	43,975
Disposals	–	(3)	–	–	–	(3)
Transfers	–	–	17	–	(17)	–
Depreciation provided during the year (note 6)	(6,207)	(1,419)	(4,690)	(87)	–	(12,403)
Impairment	–	–	–	–	(580)	(580)
At 31 December 2023, net of accumulated Depreciation and impairment	<u>23,498</u>	<u>2,539</u>	<u>43,135</u>	<u>319</u>	<u>–</u>	<u>69,491</u>
At 31 December 2023:						
Cost	35,830	5,832	53,195	462	580	95,899
Accumulated depreciation and impairment	(12,332)	(3,293)	(10,060)	(143)	(580)	(26,408)
Net carrying amount	<u>23,498</u>	<u>2,539</u>	<u>43,135</u>	<u>319</u>	<u>–</u>	<u>69,491</u>

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	Leasehold improvements	Office equipment and furniture	Plant and machinery	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2024</b>						
At 1 January 2024:						
Cost	35,830	5,832	53,195	462	580	95,899
Accumulated depreciation and impairment	(12,332)	(3,293)	(10,060)	(143)	(580)	(26,408)
Net carrying amount	<u>23,498</u>	<u>2,539</u>	<u>43,135</u>	<u>319</u>	<u>-</u>	<u>69,491</u>
At 1 January 2024, net of accumulated depreciation	23,498	2,539	43,135	319	-	69,491
Additions	224	215	2,254	-	-	2,693
Disposals	-	-	(1,503)	-	-	(1,503)
Depreciation provided during the year (note 6)	(7,706)	(1,314)	(5,575)	(87)	-	(14,682)
At 31 December 2024, net of accumulated Depreciation and impairment	<u>16,016</u>	<u>1,440</u>	<u>38,311</u>	<u>232</u>	<u>-</u>	<u>55,999</u>
At 31 December 2024:						
Cost	36,054	6,047	53,946	462	580	97,089
Accumulated depreciation and impairment	(20,038)	(4,607)	(15,635)	(230)	(580)	(41,090)
Net carrying amount	<u>16,016</u>	<u>1,440</u>	<u>38,311</u>	<u>232</u>	<u>-</u>	<u>55,999</u>

**14. LEASES**

The Group had lease contracts for plant and buildings with lease terms of 2 to 20 years and vehicles with lease terms of 2 to 5 years during the Relevant Periods.

	Right-of-use assets			Lease liabilities
	Plant and buildings	Motor vehicles	Total	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2023</b>				
At 1 January 2023	56,293	485	56,778	9,673
Additions	11,945	-	11,945	11,945
Depreciation charged (note 6)	(6,862)	(104)	(6,966)	-
Interest expense (note 7)	-	-	-	609
Payments	-	-	-	(4,059)
At 31 December 2023	<u>61,376</u>	<u>381</u>	<u>61,757</u>	<u>18,168</u>

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	Right-of-use assets			Lease liabilities
	Plant and buildings	Motor vehicles	Total	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2024</b>				
At 1 January 2024	61,376	381	61,757	18,168
Additions	–	–	–	–
Depreciation charged ( <i>note 6</i> )	(9,270)	(104)	(9,374)	–
Remeasurement due to lease modification	4,414	–	4,414	4,414
Interest expense ( <i>note 7</i> )	–	–	–	435
Payments	–	–	–	(15,720)
At 31 December 2024	<u>56,520</u>	<u>277</u>	<u>56,797</u>	<u>7,297</u>

	As at 31 December	
	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities:		
Analysed into:		
Current portion	6,065	4,826
Non-current portion	12,103	2,471
	<u>18,168</u>	<u>7,297</u>

Total amounts recognised in profit or loss in relation to leases during the Relevant Periods are as follows:

	Year ended 31 December	
	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities ( <i>note 7</i> )	609	435
Depreciation charge of right-of-use assets ( <i>note 6</i> )	6,966	9,374
Expenses relating to short-term leases and low-value leases ( <i>note 6</i> )	1,741	255
Total amount recognised in profit or loss	<u>9,316</u>	<u>10,064</u>

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**15. INTANGIBLE ASSETS**

	<b>Intellectual property</b>	<b>Trademark</b>	<b>Software</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2023</b>				
At 1 January 2023:				
Cost	150,571	2,600	843	154,014
Accumulated amortisation	(49,468)	(658)	(208)	(50,334)
Net carrying amount	<u>101,103</u>	<u>1,942</u>	<u>635</u>	<u>103,680</u>
At 1 January 2023, net of accumulated amortisation				
Cost	101,103	1,942	635	103,680
Additions	17,475	–	398	17,873
Amortisation ( <i>note 6</i> )	(9,880)	(376)	(299)	(10,555)
At 31 December 2023, net of accumulated amortisation	<u>108,698</u>	<u>1,566</u>	<u>734</u>	<u>110,998</u>
At 31 December 2023:				
Cost	168,046	2,600	1,241	171,887
Accumulated amortisation	(59,348)	(1,034)	(507)	(60,889)
Net carrying amount	<u>108,698</u>	<u>1,566</u>	<u>734</u>	<u>110,998</u>
	<b>Intellectual property</b>	<b>Trademark</b>	<b>Software</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2024</b>				
At 1 January 2024:				
Cost	168,047	2,600	1,241	171,888
Accumulated amortisation	(59,349)	(1,034)	(507)	(60,890)
Net carrying amount	<u>108,698</u>	<u>1,566</u>	<u>734</u>	<u>110,998</u>
At 1 January 2024, net of accumulated amortisation				
Cost	108,698	1,566	734	110,998
Additions	40,777	–	48	40,825
Amortisation ( <i>note 6</i> )	(13,634)	(376)	(334)	(14,344)
At 31 December 2024, net of accumulated amortisation	<u>135,841</u>	<u>1,190</u>	<u>448</u>	<u>137,479</u>
At 31 December 2024:				
Cost	208,824	2,600	1,289	212,713
Accumulated amortisation	(72,983)	(1,410)	(841)	(75,234)
Net carrying amount	<u>135,841</u>	<u>1,190</u>	<u>448</u>	<u>137,479</u>

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Impairment testing of non-financial assets

Non-financial assets (including the property, plant and equipment, right-of-use assets and intangible assets) of the Group are allocated to the following four cash-generating units for impairment testing as at the end of each of the Relevant Periods:

- Azvudine products cash-generating unit (Azvudine);
- CL-197 products cash-generating unit (CL-197);
- MTB-1806 products cash-generating unit (MTB-1806); and
- Dosimertinib products cash-generating unit (Dosimertinib).

The recoverable amount of the cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering the remaining useful life of non-financial assets allocated to each cash-generating unit approved by senior management. The pre-tax discount rate applied to the cash flow projections, the revenue growth rate and operating cost rate used to extrapolate the cash flows of the cash-generating units are as follows:

Azvudine products CGU:

	<b>As at 31 December</b>	<b>As at 31 December</b>
	<b>2023</b>	<b>2024</b>
Revenue growth rate	14.7%	16.1%
Operating cost rate	17%-20%	15%-25%
Pre-tax discount rate	16.1%	16.8%

CL-197 products CGU:

	<b>As at 31 December</b>	<b>As at 31 December</b>
	<b>2023</b>	<b>2024</b>
Revenue growth rate	6.1%	6.1%
Operating cost rate	15%	15%
Pre-tax discount rate	15.3%	15.4%

MTB-1806 products CGU:

	<b>As at 31 December</b>	<b>As at 31 December</b>
	<b>2023</b>	<b>2024</b>
Revenue growth rate	8.8%	8.8%
Operating cost rate	15%	15%
Pre-tax discount rate	15.4%	15.5%

Dosimertinib products CGU:

	<b>As at 31 December</b>	<b>As at 31 December</b>
	<b>2023</b>	<b>2024</b>
Revenue growth rate	19.6%	19.6%
Operating cost rate	15%	15%
Pre-tax discount rate	15.4%	15.7%

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The calculation of value in use is based on the following assumptions:

Revenue growth rate — the rate is based on the average growth achieved in the past years and expected market development.

Operating cost rate — the rate is based on the average operating cost over revenue incurred in the past years and anticipated efficiency improvements.

Pre-tax discount rate — the rate reflects management’s estimate of the risks specific to the unit.

The values assigned to the key assumptions on revenue growth rate, operating cost margin, discount rates are consistent with management’s past experience and external information sources.

As at 31 December 2023, the recoverable amount of Azvudine, CL-197, MTB-1806 and Dosimertinib to which non-financial assets were allocated exceeded its carrying amount by RMB210,234,000, RMB47,316,000, RMB24,944,000 and RMB263,776,000, respectively.

As at 31 December 2024, the recoverable amount of Azvudine, CL-197, MTB-1806 and Dosimertinib to which non-financial assets were allocated exceeded its carrying amount by RMB62,037,000, RMB89,478,000, RMB34,141,000 and RMB330,893,000, respectively.

A sensitivity analysis for key assumptions as at the end of the Relevant Periods is shown below that how the value in use of cash-generating units would have increased/(decreased) as a result of a 5% change in the key assumptions:

- Azvudine products CGU

	As at 31 December	
	2023	2024
	Increase/(decrease)	Increase/(decrease)
	RMB'000	RMB'000
Revenue growth rate	37,047/(36,291)	63,122/(61,118)
Operating cost rate	(19,820)/19,820	(29,962)/29,962
Pre-tax discount rate	(31,263)/33,207	(28,983)/30,664

- CL-197 products CGU

	As at 31 December	
	2023	2024
	Increase/(decrease)	Increase/(decrease)
	RMB'000	RMB'000
Revenue growth rate	13,199/(12,745)	14,938/(14,424)
Operating cost rate	(2,276)/2,276	(2,739)/2,739
Pre-tax discount rate	(10,601)/11,643	(11,377)/12,403

- MTB-1806 products CGU

	As at 31 December	
	2023	2024
	Increase/(decrease)	Increase/(decrease)
	RMB'000	RMB'000
Revenue growth rate	13,811/(13,393)	15,865/(15,386)
Operating cost rate	(2,576)/2,576	(2,958)/2,958
Discount rate	(10,346)/11,487	(11,620)/12,770

- Dosimertinib CGU

	As at 31 December	
	2023	2024
	Increase/(decrease)	Increase/(decrease)
	RMB'000	RMB'000
Revenue growth rate	32,052/(30,665)	36,302/(34,732)
Operating cost rate	(5,949)/5,949	(7,072)/7,072
Pre-tax discount rate	(23,189)/25,114	(24,447)/26,303



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**16. OTHER NON-CURRENT ASSETS**

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Prepayments for property, plant and equipment	3,585	–
Deposits receivables	1,964	1,004
Prepayments for services	1,530	–
	<hr/>	<hr/>
Total	7,079	1,004
	<hr/> <hr/>	<hr/> <hr/>

**17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**

**The Group**

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Prepayments	75,138	23,327
Deferred [REDACTED] expenses	[REDACTED]	[REDACTED]
Value-added tax recoverable	142,286	20,871
Receivables due from shareholders	130	130
Other receivables	3,734	9,682
	<hr/>	<hr/>
	222,200	55,978
	<hr/>	<hr/>
Impairment for prepayments ( <i>note a</i> )	(30,000)	(305)
Impairment for other receivables ( <i>note b</i> )	(78)	(4,678)
	<hr/>	<hr/>
Total	[REDACTED]	[REDACTED]
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) Impairment as at 31 December 2023 included impairment of RMB30,000,000 provided for the prepayment made to the third party for the commercialization of azvudine in certain area which are not expected to be recovered.
- (b) Expected credit losses for other receivables are estimated by applying the general approach under IFRS 9. The Group considered the historical loss rate and adjusted it to reflect the current conditions and forecasts of future economic conditions, as appropriate, in calculating the expected credit loss rate. During the year ended 31 December 2024, amount of RMB4,600,000 was provided for the default other receivables for which the counterparties failed to make the demanded repayments.

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The movements in the loss allowance for impairment of other receivables are as follows:

	As at 31 December	
	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of year	77	78
Impairment losses, net	1	4,600
At end of year	<u>78</u>	<u>4,678</u>

Except for the above balances due from the related parties which are disclosed in note 34 to the Historical Financial Information, other receivables are unsecured, non-interest-bearing and are collectable within one year.

**The Company**

	As at 31 December	
	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>
Prepayments	816	1,100
Deferred [REDACTED] expenses	[REDACTED]	[REDACTED]
Receivables due from subsidiaries	2,143	2,155
Receivables due from shareholders	130	130
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The amounts due from subsidiaries and shareholders are unsecured, non-interest-bearing, non-trade and repayable on demand.

**18. INVENTORIES**

	As at 31 December	
	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>
Raw materials	130,755	95,772
Finished goods	–	9,512
Low-value consumables	204	275
Total	<u>130,959</u>	<u>105,559</u>

**19. TRADE RECEIVABLES**

	As at 31 December	
	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables	–	26,420
Impairment	–	(8)
Net carrying amount	<u>–</u>	<u>26,412</u>

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The Group generally provides the customers with a credit period of 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group has concentration of credit risk as 95% of trade receivables as at 31 December 2024 were due from one single customer under the Agreement. Trade receivables are non-interest-bearing.

The ageing of the trade receivables as at the end of each reporting period, based on the invoice date, is less than six months.

The movements in the loss allowance for impairment of trade receivables are as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of year	1,121	–
Impairment losses, net	(1,121)	8
At end of year	<u>–</u>	<u>8</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

As at 31 December 2024

	<b>Current</b>
Expected credit loss rate	0.03%
Gross carrying amount (RMB’000)	26,420
Expected credit losses (RMB’000)	<u>8</u>

**20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Financial products	<u>20,034</u>	<u>–</u>

The above amount represented investments in certain financial products issued by a commercial bank in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

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**21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

**The Group**

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances	240,425	138,465
Less:		
Restricted cash*	1,030	–
Cash and cash equivalents	<u>239,395</u>	<u>138,465</u>
Denominated in:		
RMB	221,592	135,005
USD	17,767	3,431
HKD	36	29
	<u>          </u>	<u>          </u>

**The Company**

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents	<u>44,286</u>	<u>14,378</u>
Denominated in:		
RMB	27,810	11,688
USD	16,440	2,689
HKD	36	1
	<u>          </u>	<u>          </u>

The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

\* As at 31 December 2023 the restricted cash of RMB1,030,000 was frozen due to the dispute between the Group and a third party. The dispute was resolved subsequently and the restricted amount was released in January 2024.

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### 22. TRADE PAYABLES

	As at 31 December	
	2023	2024
	RMB'000	RMB'000
Trade payables	234,972	130,137
Payables for inventories due within one year (note 25)	–	4,961
	<u>234,972</u>	<u>135,098</u>

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December	
	2023	2024
	RMB'000	RMB'000
Within 3 months	217,781	53,061
3 to 6 months	14,500	7,694
6 months to 1 year	2,691	5,336
Over 1 year	–	69,007
	<u>234,972</u>	<u>135,098</u>

The trade payables are non-interest-bearing and normally settled within one year. The amount aged over 1 year as at 31 December 2024 was due to the delayed settlement with the suppliers.

### 23. OTHER PAYABLES AND ACCRUALS

#### The Group

	As at 31 December	
	2023	2024
	RMB'000	RMB'000
Payroll payable	10,865	12,140
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]
Tax payable	339	113
Payables for property, plant and equipment	4,252	2,300
Payable for intellectual property*	–	40,777
Consideration payable under the Amendment Agreement due within one year (note 25)	–	39,351
Deposits received	–	3,010
Other payables and accruals	5,940	14,195
	<u>[REDACTED]</u>	<u>[REDACTED]</u>

\* It represented the consideration payable for azvudine related intellectual property when the milestone was achieved in 2024.

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**The Company**

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Accrued [REDACTED] expense	[REDACTED]	[REDACTED]
Amount due to subsidiaries	252	122
Other payables	–	1,677
	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The above other payables are non-interest-bearing and repayable on demand.

**24. INTEREST-BEARING LOANS**

	As at 31 December 2023			As at 31 December 2024		
	Effective interest rate	Maturity	RMB’000	Effective interest rate	Maturity	RMB’000
	(%)			(%)		
Bank loans – unsecured	3.20	2024	50,045	–	N/A	–
Bank loans – unsecured	3.31	2024	34,597	–	N/A	–
Bank loans – unsecured	3.20	2024	88,659	–	N/A	–
Bank loans – unsecured	3.10	2024	17,020	–	N/A	–
Bank loans – unsecured	3.64	2024	31,600	–	N/A	–
Bank loans – unsecured	–	N/A	–	3.45	2025	34,599
Bank loans – unsecured	–	N/A	–	3.93	2025	50,056
Bank loans – unsecured		N/A	–	4.13	2025	25,241
Bank loans – secured		N/A	–	3.60	2025	24,519
Total			<u>221,921</u>			<u>134,415</u>

All interest-bearing loans of the Group are denominated in RMB and repayable within one year.

As at 31 December 2024, the Group’s bank loans up to RMB24,519,000 were guaranteed by an independent third party free of charge.

**25. OTHER NON-CURRENT LIABILITIES**

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Consideration payable under the Amendment Agreement*	–	231,481
Payables for inventories**	9,478	9,767
Less: Consideration payable under the Amendment Agreement due within one year (note 23)	–	(39,351)
Less: Payables for inventories due within one year (note 22)	–	(4,961)
	<u>9,478</u>	<u>196,936</u>

\* It represented consideration payable to one customer under the Amendment Agreement, which will be payable within 5 years subsequent to the effective date of the Amendment Agreement.

\*\* It represented payables to a supplier for the purchase of raw materials which will be settled by installments as agreed by both parties.

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**26. DEFERRED INCOME**

	As at 31 December	
	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>
Deferred government grant	29,333	22,629
Analysed into:		
Current	21,000	17,296
Non-current	8,333	5,333

Deferred income represented amounts received from the local governments to support the Group’s research and development activities with certain conditions to fulfil, which will be recognised in profit or loss upon the fulfilment of the conditions. It was classified as current liabilities when the conditions are expected to be satisfied within 12 months.

**27. CONVERTIBLE REDEEMABLE PREFERRED SHARES**

**The Group and the Company**

In February 2021, the Company issued 19,958,038 Series A preferred shares (“Series A Preferred shares”) with a par value of US\$0.0001 per share to the Series A Preferred Investors, at a cash consideration of RMB149,470,000.

In November 2021, the Company and Series B Preferred Investors entered into a share subscription agreement whereby Series B Preferred Investors agreed to make a total investment of RMB563,297,000 (“Series B Financing”) for 42,388,062 series B preferred shares (“Series B Preferred shares”). The Company closed its Series B Financing in April 2022. The financing raised a total amount of RMB563,297,000 by issuing 42,388,062 Series B Preferred shares with a par value of US\$0.0001 each.

For illustration purposes, the Series B Preferred Investors and the Series A Preferred Investors are referred to as the holders of Preferred shares (“Holders of Preferred shares”).

According to the revised Memorandum and Articles of Association (“MOA”) of the Company passed on 12 April 2022, the key terms of Series A Preferred shares and Series B Preferred shares (“Preferred shares”) are as follows:

**Conversion rights**

The holders of Preferred shares shall have the right to convert Preferred shares after the issuance date into such number of ordinary shares as determined by dividing the relevant issue price by the then effective conversion price (“Conversion Price”). The conversion price is initially the subscription price for Holders of Preferred shares, resulting in an initial conversion ratio of 1:1, and shall be subject to adjustment from time to time, including but not limited to share splits and combinations, share dividends and distributions, reorganization, consolidations or reclassifications, and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

All outstanding Preferred shares shall automatically be converted into ordinary shares upon the closing of the first firm commitment [REDACTED] of the ordinary shares or of the [REDACTED] vehicle.

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### Redemption features\*

In the event that (i) the Company fails to achieve a [REDACTED] of the ordinary shares before 31 December 2023; (ii) the current ultimate controlling owner of the Company, Mr. Zhaoyang Wang ceases to be the ultimate controlling owner of the Company; (iii) the Company’s substantial assets are seized, confiscated, frozen, auctioned or executed, or the Company is in a proceeding seeking to adjudicate it as bankrupt or insolvent; (iv) the material breach of any covenant or agreement by any of the warrantors contained in any of the transaction documents; or (v) any group company is subject to any administrative penalty, or business license of Wholly Foreign Owned Enterprise (“WFOE”) is suspended, or WFOE fails to keep requisite power and authority to carry on its business as now conducted, each Holder of Preferred shares shall be entitled to require the Company to redeem all or any of such holder’s Preferred shares at a per share price equal to the issue price plus an amount of interest at a simple annual rate of 10% and plus any declared but unpaid dividends thereupon.

If the Company’s assets and funds which are legally available are insufficient to pay the full redemption price, such assets and funds shall be used to redeem the Preferred shares, following the order, firstly to holders of Series B Preferred shares, and then to holders of Series A Preferred shares.

- \* In the shareholders’ meeting held on 23 December 2023, the Company passed a special resolution to revise the MOA of the Company, pursuant to which, the trigger event (i) is revised that the Holders of Preferred shares shall be entitled to request redemption of all or part of the outstanding Preferred shares in the event that the Company fails to achieve a [REDACTED] of the ordinary shares before 5 January 2025.
- \* In the shareholders’ meeting held on 19 November 2024, the Company passed a special resolution to revise the MOA of the Company, pursuant to which, the trigger event (i) is revised that the Holders of Preferred shares shall be entitled to request redemption of all or part of the outstanding Preferred shares in the event that the Company fails to achieve a [REDACTED] of the ordinary shares before 5 January 2026.

### Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution, after satisfaction of all creditors’ claims and claims that may be preferred by applicable Law, shall be distributed to the Holders of Preferred shares with an amount equal to (i) the original price for Holders of Preferred shares, plus (ii) an amount of interest at a simple interest rate of 10% per annum on the issue price from the issue date, and plus (iii) any declared but unpaid dividends on such Preferred shares (“Preference Amount”).

If there are any assets or funds remaining after the Preference Amount have been distributed or paid in full to the Holders of Preferred shares, the remaining assets and funds of the Company available for distribution shall be distributed ratably among all shareholders.

If the assets and funds shall be insufficient to permit the payment to such Holders of Preferred shares of the full Preference Amount, the assets and funds that are legally available shall be distributed as follows (i) firstly, the Series B Preferred shares shall be distributed ratably among the Series B Preferred Investors in proportion to the aggregate Series B Preference Amount; (ii) after full payment to the Series B Preferred Investors, the Series A Preferred shares shall be distributed ratably among the Series A Preferred Investors in proportion to the aggregate Series A Preference Amount.

Deemed Liquidation Event generally refers to (i) a merger, consolidation, amalgamation or scheme of arrangement of any group company with or into any other Person, or sale of shares of the company, or other reorganization, (ii) a sale, transfer, lease, exclusive license or other disposal of all or substantially all of the assets or intellectual property of the company or of all of its subsidiaries as a whole, or (iii) the exclusive and irrevocable licensing of all or substantially all of any group company’s intellectual property to a third party.

### Voting rights

Each holder of Preferred shares shall be entitled to the number of votes equal to the number of ordinary shares into which the Preferred shares held by such holder could be converted. The Holders of Preferred shares shall vote with the holders of ordinary shares, and not as a separate class.



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**Dividends**

The dividends available for distribution to the holder of shares in the Register of Member (“ROM”) shall be distributed ratably among all Shareholders according to the relative number of shares held by such Shareholder on an as-converted basis. No dividends shall be distributed to any Member unless and until such distribution has been approved by the Board.

**Presentation and classification**

The Group does not bifurcate any embedded derivatives from the Preferred Shares and designates both of the entire instruments of Series A Preferred shares and Series B Preferred shares as financial liabilities at fair value through profit or loss. The change in fair value is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income, if any. Management considered that fair value change in the Preferred Shares attributable to changes of credit risk was not significant.

The movements of the convertible redeemable preferred shares are set out as follows:

	<u>Series A</u>	<u>Series B</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023	252,751	652,021	904,772
Changes in fair value	<u>22,380</u>	<u>52,717</u>	<u>75,097</u>
At 31 December 2023	<u>275,131</u>	<u>704,738</u>	<u>979,869</u>
At 31 December 2023 and 1 January 2024	275,131	704,738	979,869
Changes in fair value	<u>21,958</u>	<u>57,565</u>	<u>79,523</u>
At 31 December 2024	<u>297,089</u>	<u>762,303</u>	<u>1,059,392</u>

The Group has used the discount cash flow method and back-solve method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares.

Key valuation assumptions used to determine the fair value of Preferred Shares as at 31 December 2023 and 2024 are as follows:

	<u>As at</u> <u>31 December 2023</u>	<u>As at</u> <u>31 December 2024</u>
Risk-free interest rate	2.1%	1.0%
Discounts for lack of marketability (“DLOM”)	4%	5%
Volatility	27%	32%

The Group estimated the risk-free interest rate based on the yield of the government bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

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Set out below is a summary of significant unobservable inputs to the valuation of financial liabilities categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

Significant unobservable inputs	Increase/(decrease) in the inputs	(Decrease)/increase	(Decrease)/increase
		in the fair value	in the fair value
		As at 31 December 2023	As at 31 December 2024
		RMB’000	RMB’000
Risk-free interest rate	1%/(1%)	(1,669)/1,683	(1,710)/1,725
DLOM	1%/(1%)	(10,110)/10,110	(10,794)/10,794
Volatility	1%/(1%)	302/(288)	357/(343)

### 28. CONTRACT LIABILITIES

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
License and collaboration revenue		
Research and development services*	108,044	–
Manufacturing services for the treatment of COVID-19*	141,304	–
Manufacturing services for the treatment of HIV infection*	50,125	–
Advances received for sales-based royalties**	75,970	–
Short-term advances received from customers		
Sales of goods	–	568
	<u>375,443</u>	<u>568</u>
Analysed into:		
Current	121,867	568
Non-current	253,576	–

\* Contract liabilities in relation to license and collaboration revenue were derecognized upon the effectiveness of the Amendment Agreement on 26 September 2024.

\*\* It represented advances received for sales-based royalties as at 31 December 2023 which were used to offset the account receivables due from the customer for sales-based royalties in 2024.

### 29. SHARE CAPITAL AND TREASURY SHARES

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 September 2019. The share capital of the Company is US\$50,000 divided into 500,000,000 ordinary shares, with par value of US\$0.0001 each. On 12 April 2022, the authorised share capital of the Company was changed to US\$50,000, divided into 500,000,000 shares, consisting of (i) 437,653,900 ordinary shares, with par value of US\$0.0001 each; (ii) 19,958,038 Series A Preferred shares, with par value of US\$0.0001 each; and (iii) 42,388,062 Series B Preferred shares, with par value of US\$0.0001 each. Further details of the issuance of Series A Preferred shares and Series B Preferred shares are set out in note 27 to the Historical Financial Information.

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**Issued:**

	<b>As at 31 December 2023</b>		
	<b>Number of shares in issue</b>	<b>Share capital</b>	<b>Equivalent to</b>
		<i>US\$'000</i>	<i>RMB'000</i>
Ordinary shares of US\$0.0001 each*	205,500,000	21	135

	<b>As at 31 December 2024</b>		
	<b>Number of shares in issue</b>	<b>Share capital</b>	<b>Equivalent to</b>
		<i>US\$'000</i>	<i>RMB'000</i>
Ordinary shares of US\$0.0001 each*	205,500,000	21	135

\* As at 31 December 2023 and 2024, the total number of issued ordinary shares included 788,000 and 650,500 treasury shares, respectively, held for the share award plan.

**30. SHARE-BASED PAYMENTS**

**Share award plan**

A share award plan was adopted by the Company on 29 July 2021 (the “Share Award Plan”). The Share Award Plan is a share incentive scheme and is established to incentivise directors, senior management, employees and consultants for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group.

Subject to any early termination as may be determined by the board of directors pursuant to the terms of the Share Award Plan, the plan will be valid and effective for a term of 10 years commencing on the date of adoption.

Creative Summit Developments Limited was incorporated in the BVI with limited liability on 2 July 2021 by Tri-Link Ventures Limited, which is wholly owned by Mr. Zhaoyang Wang, as the holding company for the purpose of implementing and administering the Share Award Plan. On 17 August 2021, the Company allotted and issued a number of 5,500,000 ordinary shares to Creative Summit Developments Limited at par. On 18 August 2021, the Company established the Share Award Plan Trust, with the Company as the settlor, Mr. Zhaoyang Wang as the trustee and Creative Summit Developments Limited as the holding company for the administration of the Share Award Plan and holds the shares on trust. The Share Award Plan Trust is a fixed trust intended for the benefit of eligible persons entitled to receive a grant in accordance with the terms of the Share Award Plan. The purpose to establish Creative Summit Developments Limited was to facilitate the administration of shares granted or to be granted under the Share Award Plan. Creative Summit Developments Limited and the Share Award Plan Trust were considered as the extension of the Company.

On 18 August 2021 and 1 November 2024, Creative Summit Developments Limited granted 4,712,000 shares and 788,000 shares of the Company to certain employees, respectively. According to the letter of grant, the vesting conditions are mainly related to service period, and the exercise price for each share under the share award plan is nil. The fair value of the shares granted was measured at the grant date by using a discounted cash flow model, taking into account the terms and conditions upon which the shares were granted. The share-based payment expenses are recognised in profit or loss over the vesting periods on a straight-line basis.

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The following shares were outstanding under the Share Award Plan:

	<u>Number of shares</u>
At 1 January 2023	825,000
Vested during the year	<u>(1,825,000)</u>
At 31 December 2023	<u>–</u>
Granted during the year	788,000
Vested during the year	<u>(137,500)</u>
At 31 December 2024	<u>650,500</u>

The Group recognised share-based payment expenses of RMB1,994,000 and RMB2,457,000 during the years ended 31 December 2023 and 2024, respectively.

### 31. RESERVES

#### The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

##### (i) Capital reserve

Capital reserve of the Group represents the paid-up capital of the companies comprising the Group, the excess of consideration paid by the Group over the par value of the shares repurchased during the Reorganisation and deemed contribution from the then shareholders.

##### (ii) Share-based payment reserve

The share-based payment reserve of the Group represents the share-based compensation reserve due to equity-settled share-based payment transactions, details of which were set out in note 30 to the Historical Financial Information.

##### (iii) Share premium

When the share awards are vested, the amount previously recognised in share-based payment reserve and treasury shares are transferred to share premium, details of which were set out in note 30 to the Historical Financial Information.

#### The Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods are as follows:

	<u>Share premium</u>	<u>Share-based payment reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023	20,389	74,160	(213,999)	(119,450)
Loss and total comprehensive loss for the year	–	–	(80,972)	(80,972)
Vesting of restricted shares	4,326	(4,327)	–	(1)
Equity-settled share-based payment expense	<u>–</u>	<u>1,995</u>	<u>–</u>	<u>1,995</u>
At 31 December 2023	<u>24,715</u>	<u>71,828</u>	<u>(294,971)</u>	<u>(198,428)</u>

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	Share premium	Share-based payment reserve	Accumulated losses	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 31 December 2023 and 1 January 2024	24,715	71,828	(294,971)	(198,428)
Vesting of restricted shares	1,643	(1,643)	–	–
Equity-settled share-based payment expense	–	2,457	–	2,457
Loss and total comprehensive loss for the year	–	–	(90,966)	(90,966)
At 31 December 2024	<u>26,358</u>	<u>72,642</u>	<u>(385,937)</u>	<u>(286,937)</u>

**32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(a) Major non-cash transactions**

During the year ended 31 December 2023 and 31 December 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,945,000 and RMB4,414,000, in respect of new lease arrangements and lease modifications for plant and buildings.

During the year ended 31 December 2024, the Group had non-cash increase in other payables and decrease in contract liabilities of RMB288,085,000, in respect of the Amendment Agreement.

**(b) Changes in liabilities arising from financing activities**

	Lease liabilities	Other payables	Interest- bearing loans	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023	9,673	20,058	167,364	197,095
Changes from financing cash flows	(4,059)	(19,755)	47,226	23,412
New leases entered into during the year	11,945	–	–	11,945
Non-cash transactions	–	936	–	936
Interest expenses	609	–	7,331	7,940
At 31 December 2023 and 1 January 2024	<u>18,168</u>	<u>1,239</u>	<u>221,921</u>	<u>241,328</u>
Changes from financing cash flows	(15,720)	(2,045)	(93,005)	(110,770)
Non-cash transactions	4,414	1,117	–	5,531
Interest expenses	435	–	5,499	5,934
At 31 December 2024	<u>7,297</u>	<u>311</u>	<u>134,415</u>	<u>142,023</u>

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(c) **Total cash outflow for leases**

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Within operating activities	1,741	255
Within financing activities	5,305	15,634
<b>Total</b>	<b>7,046</b>	<b>15,889</b>

**33. COMMITMENTS**

(a) The Group had the following capital commitments at the end of each of the Relevant Periods:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Contracted, but not provided for:		
Plant and machinery	6,818	–

In addition, the Group signed the contracts to purchase certain intellectual properties or knowledge and total future payments as at 31 December 2023 and 2024 amounted to RMB122,000,000 and RMB80,000,000, respectively, the payment of which is subject to the achievement of milestones.

(b) The Group had the following lease commitments in relation to short-term leases and lease of low-value assets contracts at the end of each of the Relevant periods:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Contracted, but not provided for:		
Lease	821	769

**34. RELATED PARTY TRANSACTIONS**

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

(a) **Name of related parties**

	<b>Relationship with the Group</b>
Pingdingshan Xingyu Zhongke Membrane Technology Development Co., Ltd. (“Pingdingshan Xingyu”)	Company controlled by the substantial shareholder

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**(b) Outstanding balances with related parties:**

(i) *Details of the Group’s lease liabilities with related parties are as below:*

	As at 31 December	
	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>
Lease liabilities due to Pingdingshan Xingyu*	4,608	–
Analysed into:		
Current portion	–	–
Non-current portion	4,608	–
	<u>4,608</u>	<u>–</u>

\* The outstanding balances arising from the leasing arrangements with Pingdingshan Xingyu are included in “lease liabilities”. The Group leased related plant and buildings from Pingdingshan Xingyu under a lease contract with the lease term of 20 years from 1 January 2019 to 31 December 2038. For the year ended 31 December 2024, the Group and Pingdingshan Xingyu modified the lease agreement to settle all the lease payments for the remaining lease terms in full.

- (i) Details of the Group’s receivables from the shareholders and the Company’s receivables from the subsidiaries and shareholders are included in note 17 to the Historical Financial Information.
- (ii) Details of the Company’s payables to the subsidiaries are included in note 23 to the Historical Financial Information.

**(c) Compensation of key management personnel of the Group:**

	Year ended 31 December	
	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, bonuses, allowances and benefits in kind	21,594	16,770
Pension scheme contributions	217	125
Equity-settled share-based payment expenses	1,810	393
	<u>23,621</u>	<u>17,288</u>

Further details of directors’ and the chief executive’s emoluments are included in note 8 to the Historical Financial Information.

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**35. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**The Group**

*As at 31 December 2023*

*Financial assets*

	<b>Financial assets at fair value through profit and loss</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	–	239,395	239,395
Restricted cash	–	1,030	1,030
Financial assets included in prepayments, other receivables and other assets	–	3,786	3,786
Financial assets included in other non-current assets	–	1,964	1,964
Financial assets at fair value through profit or loss	20,034	–	20,034
	<u>20,034</u>	<u>246,175</u>	<u>266,209</u>

*Financial liabilities*

	<b>Financial liabilities at fair value through profit and loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing loans	–	221,921	221,921
Trade payables	–	234,972	234,972
Convertible redeemable preferred shares	979,869	–	979,869
Financial liabilities included in other payables and accruals	–	10,192	10,192
Other non-current liabilities	–	9,478	9,478
	<u>979,869</u>	<u>468,424</u>	<u>1,448,293</u>



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*As at 31 December 2024*

*Financial assets*

	<b>Financial assets at amortised cost</b>
	<i>RMB’000</i>
Cash and cash equivalents	138,465
Trade receivables	26,412
Financial assets included in other non-current assets	1,004
Financial assets included in prepayments, other receivables and other assets	5,134
	<u>171,015</u>

*Financial liabilities*

	<b>Financial liabilities at fair value through profit and loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest-bearing loans	–	134,415	134,415
Trade payables	–	135,098	135,098
Convertible redeemable preferred shares	1,059,392	–	1,059,392
Financial liabilities included in other payables and accruals	–	99,633	99,633
Other non-current liabilities	–	196,936	196,936
	<u>1,059,392</u>	<u>566,082</u>	<u>1,625,474</u>

**The Company**

*As at 31 December 2023*

*Financial assets*

	<b>Financial assets at amortised cost</b>
	<i>RMB’000</i>
Cash and cash equivalents	44,286
Financial assets included in prepayments, other receivables and other assets	2,272
	<u>46,558</u>

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*Financial liabilities*

	<b>Financial liabilities at fair value through profit and loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Convertible redeemable preferred shares	979,869	–	979,869
Financial liabilities included in other payables and accruals	–	252	252
	<u>979,869</u>	<u>252</u>	<u>980,121</u>

*As at 31 December 2024*

*Financial assets*

	<b>Financial assets at amortised cost</b>
	<i>RMB’000</i>
Cash and cash equivalents	14,378
Financial assets included in prepayments, other receivables and other assets	2,285
	<u>16,663</u>

*Financial liabilities*

	<b>Financial liabilities at fair value through profit and loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Convertible redeemable preferred shares	1,059,392	–	1,059,392
Financial liabilities included in other payables and accruals	–	1,799	1,799
	<u>1,059,392</u>	<u>1,799</u>	<u>1,061,191</u>

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**36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

**Fair value**

All the carrying amounts of the Group’s financial instruments approximate to their fair values. Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and interest-bearing loans approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group’s finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the directors of the Company 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 fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

**As at 31 December 2023**

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss*	–	20,034	–	20,034

Liabilities measured at fair value:

**As at 31 December 2023**

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Convertible redeemable preferred shares**	–	–	979,869	979,869

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As at 31 December 2024

	Fair value measurement using			total RMB’000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB’000	RMB’000	RMB’000	
Convertible redeemable preferred shares**	–	–	1,059,392	1,059,392

\* Further details of financial assets at fair value through profit or loss are included in note 20 to the Historical Financial Information.

\*\* Further details of preferred shares are included in note 27 to the Historical Financial Information.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group’s principal financial instruments comprise cash and cash equivalents, other interest-bearing loans and preferred shares. The Group has various other financial assets and liabilities such as other receivables, trade payables and other payables and accruals and lease liabilities, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are foreign currency risk, interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

**Foreign currency risk**

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The fluctuations in the exchange rate between RMB and other currencies in which the Group conducts business may affect the Group’s results of operations. The Group seeks to limit its exposures to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity as at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group’s loss before tax (due to translation of monetary assets and liabilities) and the Group’s accumulated losses.

	Increase/ (decrease) in the rate of foreign currency	(Increase)/ decrease in loss before tax	(Increase)/ decrease in accumulated losses
	%	RMB’000	RMB’000
31 December 2023			
If the RMB weakens against the USD	5	888	888
If the RMB strengthens against the USD	(5)	(888)	(888)
31 December 2024			
If the RMB weakens against the USD	5	966	966
If the RMB strengthens against the USD	(5)	(966)	(966)

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### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to interest-bearing loans. The Group currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

The following table details the effect on the Group’s loss before tax for each of the Relevant Periods and accumulated losses as at the end of each reporting period that an increase/decrease of 5% in interest rate would have.

	Increase/ (decrease) in interest rate	Decrease/ (increase) in loss before tax	Decrease/ (increase) in accumulated loss
	%	RMB’000	RMB’000
31 December 2023			
Increase of interest rate	5	(397)	(397)
Decrease of interest rate	(5)	397	397
31 December 2024			
Increase of interest rate	5	(275)	(275)
Decrease of interest rate	(5)	275	275

### Liquidity risk

The Group’s objective is to maintain continuity of funding and flexibility through the use of internally generated cash flows from operation and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

#### As at 31 December 2023

	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	234,972	–	–	–	234,972
Financial liabilities included in other payables and accruals	10,192	–	–	–	10,192
Lease liabilities	–	1,277	5,183	16,746	23,206
Interest-bearing loans	–	156,197	67,879	–	224,076
Convertible redeemable preference shares	–	–	–	924,804	924,804
Other non-current liabilities	–	–	–	10,220	10,220
	<u>245,164</u>	<u>157,474</u>	<u>73,062</u>	<u>951,770</u>	<u>1,427,470</u>

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**As at 31 December 2024**

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	135,247	–	–	–	135,247
Financial liabilities included in other payables and accruals	99,633	–	–	–	99,633
Lease liabilities	–	1,659	3,920	2,520	8,099
Interest-bearing loans	–	85,018	51,180	–	136,198
Convertible redeemable preference shares	–	–	–	995,300	995,300
Other non-current liabilities	–	–	–	197,241	197,241
	<u>234,880</u>	<u>86,677</u>	<u>55,100</u>	<u>1,195,061</u>	<u>1,571,718</u>

**Capital management**

The Group’s policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors of the Company review the asset-liability ratio, which is total assets divided by total liability, on a continuous basis, taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debts and manage the asset-liability ratios. The Group’s overall strategy remained unchanged during the Relevant Periods.

The asset-liability ratios as at the end of each of Relevant Periods are as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	832,865	572,710
Total liabilities	<u>1,893,818</u>	<u>1,671,248</u>
Asset-liability ratio	<u>44%</u>	<u>34%</u>

**38. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2024.

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The information set forth in this appendix does not form part of the Accountants’ Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial information” in this document and the Accountants’ Report set forth in Appendix I to this document.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The following unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the [REDACTED] on the consolidated net tangible liabilities of our Group attributable to owners of the Company as of 31 December 2024 as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the [REDACTED] been completed as of 31 December 2024 or at any future date.

	Consolidated net tangible liabilities attributable to owners of the Company as of 31 December 2024	Estimated [REDACTED] from the [REDACTED]	Estimated impact upon conversion of Preferred Shares	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 31 December 2024	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HKD</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>		<i>(Note 4)</i>	<i>(Note 5)</i>

Based on an [REDACTED] of HK\$[REDACTED] per Share	(1,236,017)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	(1,236,017)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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*Notes:*

- (1) The consolidated net tangible liabilities attributable to owners of the Company as of 31 December 2024 is based on the consolidated net liabilities attributable to owners of the Company as at 31 December 2024 of RMB1,098,538 thousand after deduction of intangible assets of RMB137,479 thousand as of 31 December 2024 set out in the Accountants’ Report in Appendix I to this document.
- (2) The estimated [REDACTED] from the [REDACTED] are based on the issuance of [REDACTED] Shares at estimated [REDACTED] of HK\$[REDACTED] per share and HK\$[REDACTED] per [REDACTED], being the low and high ends of the stated [REDACTED], after deduction of the [REDACTED] fees and other related [REDACTED] expenses payable by the Group and do not take into account any Shares which may be issued or repurchased by us pursuant to the general mandates to issue or repurchase Shares, and any Shares which may be issued and allotted upon exercise of the [REDACTED]. The estimated [REDACTED] from the [REDACTED] are converted into Renminbi at an exchange rate of HK\$1 to RMB 0.92054 published by PBOC prevailing on 10 February 2025. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.
- (3) Our Preferred Shares will be automatically converted into ordinary shares upon the completion of the [REDACTED]. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company will be increased by [REDACTED] thousand, being the carrying amount of the Preferred Shares as of 31 December 2024.
- (4) The unaudited proforma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments as described in notes (2) and (3) above and on the basis that [REDACTED] Shares were in issue assuming that the post-division of shares and conversion of Preferred Shares and the [REDACTED] completed on 31 December 2024 without taking into account of any Shares which may be issued or repurchased by us pursuant to the general mandates to issue or repurchase Shares and any Shares which may be issued upon exercise of the [REDACTED].
- (5) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1 to RMB 0.92054 published by PBOC prevailing on 10 February 2025. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate at all.
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company to reflect any trading results or other transactions of the Group subsequent to 31 December 2024.



[REDACTED]

[REDACTED]

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

## APPENDIX III

## SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 26, 2019 under the Companies Act, (As Revised) of the Cayman Islands (the "Companies Act"). The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and its Articles of Association (the "Articles").

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions

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of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

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Notwithstanding the foregoing, for so long as any shares are [REDACTED] on the Stock Exchange, titles to such [REDACTED] shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such [REDACTED] shares. The register of members in respect of its [REDACTED] shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such [REDACTED] shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by shareholders by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

*(v) Power of the Company to purchase its own shares*

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. Subject to the Companies Act, the Company is further authorised to hold any repurchased shares as treasury shares.

The board may accept the surrender for no consideration of any fully paid share.

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*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

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(b) **Directors**

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or



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- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

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*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or

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other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

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*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

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- (bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
  - (aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
  - (bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

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**(e) Meetings of members**

***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

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If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings and extraordinary general meetings***

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.



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*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.



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*(vi) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

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At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

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The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

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**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

Unless otherwise determined by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

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**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

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A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.



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Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and



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- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 5 July 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

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There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to identify its beneficial owners and provide details of these beneficial owners to its corporate service provider ("CSP") which maintains its beneficial ownership register in the Cayman Islands. A beneficial owner is defined as an individual who (a) ultimately owns or controls, whether through direct or indirect ownership or control 25% or more of the shares, voting rights, or partnership interests in the company, (b) otherwise exercises ultimate effective control over the management of the company, or (c) is identified as exercising control of the company through other means. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands although the Cayman Islands government may introduce regulations to allow for public access in the future. An exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange, may provide its CSP with details of its listed status as an alternative compliance route instead of providing details of its beneficial owners. Accordingly, as long as the shares of the Company [REDACTED] on the Stock Exchange, the Company may opt for this alternative compliance route rather than maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain

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other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

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The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

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**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents on display" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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## STATUTORY AND GENERAL INFORMATION

### A. FURTHER INFORMATION ABOUT OUR COMPANY

#### 1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on September 26, 2019. Our Company has established its principal place of business in Hong Kong at Room 1903, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on August 22, 2022. Ms. Leung Wai Yan has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Companies Act, the Memorandum and the Articles and the applicable laws of Cayman Islands. A summary of certain provisions of the Memorandum and Articles and relevant aspects of the Cayman Companies Act is set out in “Summary of the Constitution of the Company and the Cayman Islands Company Law” in Appendix III to this document.

#### 2. Changes in the share capital of our Company

As of the date of incorporation of our Company, the authorized share capital of our Company was US\$50,000 divided into 500,000,000 Shares of US\$0.0001 each. Upon its incorporation, one Share was allotted and issued to an initial subscriber who is an Independent Third Party at par, and such Share was transferred to Modern Target at par on the same day. On the same day, our Company allotted and issued at par 29,999,999 Shares to Modern Target, 600,000 Shares to Precious Auspice and 400,000 Shares to Top Access.

On September 29, 2020, a total of 169,000,000 Shares were allotted and issued at par in the following manner:

- (a) 142,600,000 Shares to Tri-Link Ventures;
- (b) 1,200,000 Shares to Brilliant Torch;
- (c) 5,000,000 Shares to Abundant Luck;
- (d) 5,000,000 Shares to Long Profit;
- (e) 4,400,000 Shares to Silver Waves;
- (f) 4,400,000 Shares to Ju Xian Global;
- (g) 6,000,000 Shares to Bonanza Global; and
- (h) 400,000 Shares to Celestial Path.

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On October 19, 2020, our Company repurchased 10,000,000 Shares from Tri-Link Ventures at par and then allotted and issued 10,000,000 new Shares to Modern Target at par.

On February 22, 2021, our Company re-classified and re-designated 19,958,038 Ordinary Shares as 19,958,038 Series A Preferred Shares, following which, our authorized share capital was changed from US\$50,000 divided into 500,000,000 shares of US\$0.0001 each to US\$50,000 divided into 500,000,000 shares of US\$0.0001 each, comprising of (i) 480,041,962 Ordinary Shares, and (ii) 19,958,038 Series A Preferred Shares. On the same day, a total of 19,958,038 Series A Preferred Shares were allotted and issued at a total consideration of approximately RMB149.47 million in the following manner:

- (a) 5,333,333 Series A Preferred Shares to Efung Zhenai;
- (b) 6,266,667 Series A Preferred Shares to Efung Zhenbo;
- (c) 6,634,731 Series A Preferred Shares to Goldlark Global; and
- (d) 1,723,307 Series A Preferred Shares to Ms. Shen Xueyu.

On August 17, 2021, 5,500,000 Shares were allotted and issued to Creative Summit at par pursuant to the RSU Scheme.

On September 10, 2021, Creative Summit transferred 880,000 Shares to Rising Kong at nil consideration pursuant to the RSU Scheme.

On January 22, 2022, Tri-Link Ventures transferred 7,000,000 Shares to Modern Target at par.

On April 12, 2022, our Company re-classified and re-designated 42,388,062 Ordinary Shares as 42,388,062 Series B Preferred Shares, following which, our authorized share capital was changed from US\$50,000 divided into 500,000,000 shares of US\$0.0001 each, comprising of (i) 480,041,962 Ordinary Shares, and (ii) 19,958,038 Series A Preferred Shares, to US \$50,000 divided into 500,000,000 shares of US\$0.0001 each, comprising of (i) 437,653,900 Ordinary Shares, (ii) 19,958,038 Series A Preferred Shares, and (iii) 42,388,062 Series B Preferred Shares. On the same day, a total of 42,388,062 Series B Preferred Shares were allotted and issued at a total consideration of approximately RMB563.30 million in the following manner:

- (a) 14,386,928 Series B Preferred Shares to Shanghai Zhenyong;
- (b) 3,757,634 Series B Preferred Shares to Hainan Efung;
- (c) 751,527 Series B Preferred Shares to Hangzhou Efung;
- (d) 1,503,054 Series B Preferred Shares to Yingke Yangguanglan No. 1;

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- (e) 751,527 Series B Preferred Shares to Yingke Taifu Yingrui;
- (f) 1,503,054 Series B Preferred Shares to Yingke Shenghui;
- (g) 3,757,634 Series B Preferred Shares to Yingke Core Value No. 2;
- (h) 3,757,634 Series B Preferred Shares to Shanghai Desano;
- (i) 3,217,286 Series B Preferred Shares to Shenzhen Yashang;
- (j) 3,417,339 Series B Preferred Shares to Fortune Growth;
- (k) 1,878,817 Series B Preferred Shares to Shanghai Hangfeng; and
- (l) 3,705,628 Series B Preferred Shares to Ms. Shen Xueyu.

On October 31, 2022, Creative Summit transferred 660,000 Shares to Rising Kong at nil consideration pursuant to the RSU Scheme.

On September 15, 2023, Creative Summit transferred 660,000 Shares to Rising Kong at nil consideration pursuant to the RSU Scheme.

On [●], 2025, our authorized share capital was increased from US\$50,000 to US\$[1,006,234.61] by the creation of additional [9,562,346,100] Ordinary Shares, and following such increase, the authorized share capital of our Company was US\$[1,006,234.61] divided into [10,000,000,000] Ordinary Shares of US\$0.0001 each, 19,958,038 Series A Preferred Shares of US\$0.0001 each, and 42,388,062 Series B Preferred Shares of US\$0.0001 each.

On [●], 2025, our Shareholders resolved that, conditional upon full conversion of the Series A Preferred Shares and the Series B Preferred Shares into Shares, and effective upon the [REDACTED], all the unissued Series A Preferred Shares and Series B Preferred Shares in the authorized share capital of our Company be cancelled and the amount of the authorized share capital of our Company shall be diminished, such that the authorized share capital of our Company will be US\$[1,000,000] divided into [10,000,000,000] Ordinary Shares of US\$0.0001 each.

Immediately following completion of the [REDACTED] and the [REDACTED] and without taking into account any Shares which may be issued upon the exercise of the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme, the issued share capital of our Company will be US\$[REDACTED] divided into [REDACTED] Shares, all fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.



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Save as disclosed above and as mentioned in “—4. Written resolutions of our Shareholders passed on [●], 2025” below, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Changes in the share capital of our subsidiaries

Our subsidiaries are set out in the Accountants’ Report, the text of which is set out in Appendix I to this document.

Save as disclosed in “History, Reorganization and Corporate Structure” in this document, there has been no other alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document.

### 4. Written resolutions of our Shareholders passed on [●], 2025

Pursuant to the written resolutions passed by our Shareholders on [●], 2025, among other matters:

- (a) we approved and conditionally adopted the Memorandum and the Articles both of which will become effective upon [REDACTED];
- (b) the authorized share capital of our Company was increased from US\$50,000 to US\$[1,006,234.61] by the creation of additional [9,562,346,100] Ordinary Shares ranking par passu in all respects with the existing Ordinary Shares with immediate effect, and following such increase, the authorized share capital of our Company was US\$[1,006,234.61] divided into [10,000,000,000] Ordinary Shares of US\$0.0001 each, 19,958,038 Series A Preferred Shares of US\$0.0001 each, and 42,388,062 Series B Preferred Shares of US\$0.0001 each.
- (c) conditional upon full conversion of the Series A Preferred Shares and the Series B Preferred Shares into Shares, and effective upon the [REDACTED], all the unissued Series A Preferred Shares and Series B Preferred Shares in the authorized share capital of our Company be cancelled and the amount of the authorised share capital of our Company shall be diminished, such that the authorized share capital of our Company will be US\$[1,000,000] divided into [10,000,000,000] Ordinary Shares of US\$0.0001 each.

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- (d) conditional on (aa) the Stock Exchange granting the approval for [REDACTED] of, and permission to [REDACTED], the Shares in issue and Shares to be allotted and issued pursuant to the [REDACTED], the [REDACTED] and as mentioned in this document including the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme; (bb) the [REDACTED] having been duly determined; and (cc) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this document), in each case on or before the dates and times specified in the [REDACTED]:
- (i) the [REDACTED] was approved and our Directors were authorized to allot and issue the [REDACTED] pursuant to the [REDACTED];
- (ii) the [REDACTED] was approved and our Directors were authorized to allot and issue Shares upon the exercise of the [REDACTED];
- (iii) the rules of the Post-[REDACTED] Share Scheme, the principal terms of which are set out in “—D. Share Incentive Schemes—2. Post-[REDACTED] Share Scheme” below in this appendix, were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares (including the power to transfer any treasury Shares) pursuant to the exercise of options granted under the Post-[REDACTED] Share Scheme;
- (iv) conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorized to capitalize US\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing this resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company;
- (v) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to sell or transfer any treasury Shares, and to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued or treasury Shares to be sold or transferred), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangements or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares (excluding treasury

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Shares) immediately following the completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (vi) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to buy back on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares (excluding treasury Shares) immediately following the completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares bought back by our Company pursuant to the mandate to buy back Shares referred to in paragraph (vi) above.

### 5. Reorganization

In preparation for the [REDACTED], the companies comprising our Group underwent the Reorganization and our Company became the holding company of our Group. For further details with regard to the Reorganization, see “History, Reorganization and Corporate Structure—Reorganization” in this document.

### 6. Buyback by our Company of our own securities

This section includes information required by the Stock Exchange to be included in this document concerning the buyback by our Company of our own securities.

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### *(a) Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

#### *(i) Shareholders’ approval*

The Listing Rules provide that all proposed buybacks of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by our Shareholders on [●], 2025, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorizing the buyback of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein (excluding treasury Shares), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

#### *(ii) Source of funds*

Buybacks must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles, the Listing Rules and the Cayman Companies Act. A listed company may not buy back its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

#### *(iii) Core connected persons*

The Listing Rules prohibit our Company from knowingly buying back the Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his/her/its Shares to our Company.

### *(b) Reasons for buybacks*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to buy back Shares in the market. Such buybacks may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such buybacks will benefit our Company and our Shareholders.

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*(c) Funding of buyback*

In buying back Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any buyback of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the buyback and, in the case of any premium payable on the purchase over the par value of the Shares to be bought back must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Companies Act, a buyback of Shares may also be paid out of capital.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Company, our Directors consider that, if the Buyback Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this document. However, our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

*(d) Share capital*

The exercise in full of the Buyback Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED] (but not taking into account of our Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme), would result in up to [REDACTED] Shares being bought back by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

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### *(e) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Buyback Mandate is exercised to sell any Share(s) to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company may cancel any Shares we brought back and/or hold them as treasury Shares subject to, among others, market conditions and our capital management needs at the relevant time of the buyback, which may change due to evolving circumstances.

If as a result of a buyback of Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a buyback pursuant to the Buyback Mandate. Our Directors have no present intention to exercise the power to buy back Shares to such extent.

If the Buyback Mandate is fully exercised immediately following completion of the [REDACTED] and the [REDACTED] (but not taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme), the total number of Shares which will be bought back pursuant to the Buyback Mandate will be [REDACTED] Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately [REDACTED]% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any buyback of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

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**B. FURTHER INFORMATION ABOUT OUR BUSINESS**

**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are material:

- (a) the [REDACTED].

**2. Intellectual property rights of our Group**

*(a) Trademarks*

As of the Latest Practicable Date, our Group had registered the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registration number	Class	Registered proprietor	Place of registration	Date of registration	Date of expiry
1	 真实生物 Genuine Biotech	305514020	5, 16, 35 & 36	Our Company	HK	January 22, 2021	January 21, 2031
2	 真实生物	76548596	5	Henan Genuine	PRC	August 28, 2024	August 27, 2034
3	 GENUINEBIO	68204853	5	Henan Genuine	PRC	June 28, 2023	June 27, 2033
4	 翊维康	70476479	42	Shanghai Yiweikang	PRC	September 14, 2023	September 13, 2033
5	 翊维康	70484821	5	Shanghai Yiweikang	PRC	September 14, 2023	September 13, 2033
6	 翊维康	70487471	35	Shanghai Yiweikang	PRC	September 14, 2023	September 13, 2033
7	捷倍安	45954788	05	Henan Genuine	PRC	January 7, 2021	January 6, 2031
8	双新艾克	45947594	05	Henan Genuine	PRC	January 28, 2021	January 27, 2031
9	哆希替尼	23259492	35	Henan Genuine	PRC	March 14, 2018	March 13, 2028
10	<b>Dositinib</b>	23259614	35	Henan Genuine	PRC	March 14, 2018	March 13, 2028
11	<b>Dositinib</b>	23259388	05	Henan Genuine	PRC	March 14, 2018	March 13, 2028
12	哆希替尼	23260000	05	Henan Genuine	PRC	March 14, 2018	March 13, 2028



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**(b) Patents**

As of the Latest Practicable Date, our Group had registered the following patents which, in the opinion of our Directors, are material to our business:

<u>No.</u>	<u>Patent</u>	<u>Type</u>	<u>Patent number</u>	<u>Registered owner</u>	<u>Place of registration</u>	<u>Validity period</u>
1	CRYSTAL FORM A OF 2'-FLUORO-4'-SUBSTITUTED NUCLEOSIDE ANALOG I AND PREPARATION METHOD THEREFOR AND USE THEREOF (2'-氟-4'-取代核苷類似物I的晶型A及其製備方法和應用)	Invention patent	201910313694.7	Henan Genuine	PRC	April 18, 2019 to April 18, 2039
2	2'-FLUORINE-4'-SUBSTITUTED NUCLEOSIDE ANALOGUES, PREPARATION METHODS AND USES THEREOF (2'-氟-4'-取代核苷類似物、其製備方法及應用)	Invention patent	200710137548.0	Henan Genuine	PRC	August 7, 2007 to August 7, 2027
3	2'-FLUORINE-4'-SUBSTITUTED-NUCLEOSIDE ANALOGUES, PREPARATION METHODS AND USES THEREOF	Invention patent	US12669342	Henan Genuine	U.S.	June 27, 2008 to December 7, 2028
4	2'-FLUORO-4'-SUBSTITUTED NUCLEOSIDES, THE PREPARATION AND USE	Invention patent	EP08772992.7	Henan Genuine	Germany, France, UK	June 27, 2008 to June 27, 2028



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No.	Patent	Type	Patent number	Registered owner	Place of registration	Validity period
5	CRYSTAL FORM A OF 2'-FLUORO-4'-SUBSTITUTED NUCLEOSIDE ANALOG I AND PREPARATION METHOD THEREFOR AND USE THEREOF	Invention patent	AU2019435643	Henan Genuine	Australia	April 18, 2019 to April 18, 2039
6	2-(2,4,5-SUBSTITUTED PHENYLAMINO) PYRIMIDINE DERIVATIVE AND PREPARATION METHOD THEREFOR AND USE OF ANTI-TUMOR DRUGS THEREOF (2-(2,4,5-取代苯氨基)嘧啶衍生物、其製備方法及其在製備抗腫瘤藥物中的應用)	Invention patent	201711282598.8	Henan Genuine	PRC	December 7, 2017 to December 7, 2037
7	PREPARATION METHOD AND INTERMEDIATE OF DEUTERATED ACRYLAMIDE (氘代丙烯酰胺的製備方法和中間體)	Invention patent	201710949642.X	Henan Genuine	PRC	October 12, 2017 to October 12, 2037
8	CRYSTAL FORM, PREPARATION METHOD, AND APPLICATION OF 4'-SUBSTITUTED NUCLEOSIDE (4'-取代核苷的晶型、製備和應用)	Invention patent	201910216375.4	Henan Genuine	PRC	March 21, 2019 to March 21, 2039
9	O-(SUBSTITUTED BENZYL) PHOSPHORAMIDATE COMPOUNDS AND THERAPEUTIC USE (O-(經取代的苯甲基)氨基磷酸酯化合物及其治療用途)	Invention patent	201180068748.X	Henan Genuine	PRC	December 30, 2011 to December 30, 2031

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No.	Patent	Type	Patent number	Registered owner	Place of registration	Validity period
10	DOUBLE-LIVER-TARGETING PHOSPHORAMIDATE AND PHOSPHONOAMIDATE PRODRUG (雙肝臟靶向氨基磷酸酯和氨基膦酸酯前藥)	Invention patent	201380030061.6	Henan Genuine	PRC	March 15, 2013 to March 15, 2033
11	O-(SUBSTITUTED BENZYL) PHOSPHORAMIDATE COMPOUNDS AND THERAPEUTIC USE	Invention patent	US13978272	Henan Genuine	U.S.	December 30, 2011 to December 30, 2031
12	DOUBLE-LIVER-TARGETING PHOSPHORAMIDATE AND PHOSPHONOAMIDATE PRODRUGS	Invention patent	US13838071	Henan Genuine	U.S.	December 30, 2011 to June 27, 2032
13	THIENOPYRIMIDINONE DERIVATIVE AND PREPARATION METHOD THEREFOR AND APPLICATION THEREOF IN MANUFACTURING OF ANTITUMOR DRUGS THEREOF (噻吩並嘧啶衍生物、其製備方法及在製備抗腫瘤藥物中的應用)	Invention patent	201711389203.4	Henan Genuine	PRC	December 21, 2017 to December 21, 2037
14	THIENOPYRIMIDINONE DERIVATIVE AND APPLICATION THEREOF IN PREPARING ANTICANCER DRUG	Invention patent	US16503656	Henan Genuine	U.S.	December 21, 2017 to December 21, 2037

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<u>No.</u>	<u>Patent</u>	<u>Type</u>	<u>Patent number</u>	<u>Registered owner</u>	<u>Place of registration</u>	<u>Validity period</u>
15	2',3'-DIDEOXY-2'- $\alpha$ -FLUORO-2'- $\beta$ -C-METHYLNUCLEOSIDES AND PRODRUG THEREOF (2',3'-二脱氧-2'- $\alpha$ -氟-2'- $\beta$ -C-甲基核苷和其前藥)	Invention patent	201280030844.X	Henan Genuine	PRC	July 19, 2012 to July 19, 2032
16	2'-FLUORO-2'-(FLUOROMETHYL)-2'-DEOXYNUCLEOSIDE COMPOUND AND PHOSPHATE POTENTIAL DRUG THEREOF (2'-氟-2'-(氟甲基)-2'-脱氧核苷類化合物及其磷酸酯潛藥)	Invention patent	201310665447.6	Henan Genuine	PRC	December 9, 2013 to December 9, 2033

**(c) Domain name**

As of the Latest Practicable Date, our Group had registered the following domain name which, in the opinion of our Directors, is material to our business:

<u>No.</u>	<u>Domain name</u>	<u>Registered proprietor</u>	<u>Date of registration</u>	<u>Date of expiry</u>
1	genuine-bio.com	Beijing Branch of Henan Genuine	March 30, 2021	March 30, 2027

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Directors**

**(a) Disclosure of Interests – Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations**

Immediately following completion of the [REDACTED] and the [REDACTED] and assuming that the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised, the interests or short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part

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XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, 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, to be notified to our Company and the Stock Exchange, once our Shares are [REDACTED], will be as follows:

*Interest in our Company*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares interested in<sup>(1)</sup></b>	<b>Approximate percentage of interest</b>
Dr. Du <sup>(2)</sup>	Interest in a controlled corporation	[REDACTED] Shares (L)	[REDACTED]%
Dr. Dang Qun <sup>(3)</sup>	Interest in a controlled corporation	[REDACTED] Shares (L)	[REDACTED]%
Mr. Wang Lin <sup>(4)</sup>	Interest in a controlled corporation	[REDACTED] Shares (L)	[REDACTED]%
Mr. Zhu Jinqiao <sup>(5)</sup>	Interest in controlled corporations	[REDACTED] Shares (L)	[REDACTED]%

*Notes:*

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Modern Target is wholly owned by Dr. Du. By virtue of the SFO, Dr. Du is deemed to be interested in the Shares held by Modern Target.
- (3) Rising Kong is wholly owned by Dr. Dang Qun. By virtue of the SFO, Dr. Dang Qun is deemed to be interested in the Shares held by Rising Kong.
- (4) Bonanza Global is wholly owned by Mr. Wang Lin. By virtue of the SFO, Mr. Wang Lin is deemed to be interested in the Shares held by Bonanza Global.
- (5) Efung Zhenai and Efung Zhenbo held 5,333,333 and 6,266,667 Series A Preferred Shares as of the Latest Practicable Date, respectively, which shall be converted into Shares on a one-for-one basis upon [REDACTED]. Shanghai Zhenyong, Hainan Efung and Hangzhou Efung held 14,386,928, 3,757,634 and 751,527 Series B Preferred Shares as of the Latest Practicable Date, respectively, which shall be converted into Shares on a one-for-one basis upon [REDACTED]. Each of Efung Zhenai, Efung Zhenbo, Shanghai Zhenyong and Hangzhou Efung is a limited partnership established in the PRC whose general partner is Efung Capital, which in turn is owned as to 51% by Shenzhen Efung Holding and whose general partner is Shenzhen Efung Venture Capital. Shenzhen Efung Holding is owned as to 54% by Mr. Zhu Jinqiao. Shenzhen Efung Venture Capital is owned as to 60% by Shenzhen Efung Holding and 40% by Mr. Zhu Jinqiao. Hainan Efung is a limited partnership established in the PRC whose general partner is Hainan Efung Junma Private Equity Fund Management Co., Ltd.\* (海南倚鋒駿馬私募基金管理有限公司), which in turn is owned as to 70% by Shenzhen Efung Holding. By virtue of the SFO, (i) each of Efung Capital and Shenzhen Efung Venture Capital is deemed to be interested in the Shares held by Efung Zhenai, Efung Zhenbo, Shanghai Zhenyong and Hangzhou Efung; and (ii) each of Shenzhen Efung Holding and Mr. Zhu Jinqiao is deemed to be interested in the Shares held by Efung Zhenai, Efung Zhenbo, Shanghai Zhenyong, Hainan Efung and Hangzhou Efung.

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### *(b) Particulars of service agreements and letters of appointment*

Each of our executive Directors [has entered] into a service agreement with our Company for a term of three years commencing from the date of appointment, which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of our non-executive Directors and independent non-executive Directors [has entered] into a letter of appointment with our Company for a term of three years commencing from the date of appointment which may be terminated by not less than three months’ notice in writing served by either party on the other.

### *(c) Directors’ remuneration*

During the two years ended December 31, 2024, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, equity-settled share-based payment expenses and pension scheme contributions) paid to our Directors was RMB15.4 million and RMB10.4 million, respectively. For details, please refer to Note 8 of the Accountants’ Report set out in Appendix I to this document.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, equity-settled share-based payment expenses and pension scheme contributions) of our Directors for the year ending December 31, 2025 is estimated to be no more than RMB11.5 million.

## **2. Substantial Shareholders**

Save as disclosed in “Substantial Shareholders” in this document, so far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] assuming that the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised, no person (other than our Directors and chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group.

## **3. Agency fees or commissions received**

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

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### 4. Disclaimers

Save as disclosed in this document:

- (a) save as disclosed in this section, none of our Directors or chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO 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 our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are [REDACTED];
- (b) none of our Directors or experts referred to under “—E. Other information—7. Qualifications and consents of experts” below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or experts referred to under “—E. Other information—7. Qualifications and consents of experts” below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) save as disclosed in this section, none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) save as disclosed in “— C. Further information about our Directors and substantial shareholders – 2. Substantial Shareholders” above, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED] and the [REDACTED] and assuming that the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group; and
- (f) so far as is known to our Directors as of the Latest Practicable Date, save for Pingdingshan Xingyu, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the total number of issued Shares has any interests in the five largest customers or suppliers of our Group.

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### D. SHARE INCENTIVE SCHEMES

#### 1. RSU Scheme

The following is a summary of the principal terms of the RSU Scheme approved and adopted by our Board on July 29, 2021. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of RSUs by our Company after the [REDACTED].

##### *(a) Purpose of the RSU Scheme*

The purpose of the RSU Scheme is to incentivize directors, senior management, employees and consultants for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

##### *(b) RSU*

A restricted share unit under the RSU Scheme gives a participant in the RSU Scheme (the “**RSU Participant**”) a conditional right to obtain Shares upon vesting of the RSU, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share.

##### *(c) Participants of the RSU Scheme*

Persons eligible to receive RSUs under the RSU Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors), officers or consultants of our Company or any of our subsidiaries (the “**RSU Eligible Persons**”). The basis of eligibility of any selected person for the grant of RSUs shall be determined by our Board from time to time on the basis of their contribution to the development and growth of our Group or such other factors as our Board may deem appropriate.

##### *(d) Term of the RSU Scheme*

The RSU Scheme shall be valid and effective for a period of 10 years, commencing on the adoption date of the RSU Scheme, being July 29, 2021, or until the RSU Scheme is terminated by our Board, whichever is earlier (the “**RSU Scheme Period**”). No further RSUs will be granted after the expiry of the RSU Scheme Period but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and the RSUs granted during the RSU Scheme Period may continue to be exercisable in accordance with their terms of issue.

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### *(e) Making an offer*

An offer to grant RSUs will be made to a RSU Eligible Participant selected by our Board (the “**RSU Selected Person**”) by a grant letter (the “**RSU Grant Letter**”). The RSU Grant Letter shall specify (i) the RSU Selected Person’s name; (ii) the manner of acceptance of the RSUs; (iii) the last day for acceptance by the RSU Selected Person; (iv) the number of RSUs granted and the number of underlying Shares represented by the RSUs; (v) the vesting criteria and conditions; (vi) the vesting schedule; (vii) the exercise price of the RSUs (where applicable); and (viii) such other terms and conditions as our Board shall determine and are not inconsistent with the RSU Scheme. The RSU Grant Letter will require the RSU Selected Person to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of the RSU Scheme. The RSU Grant Letter shall serve as evidence of the grant of the RSUs and no further certificate shall be issued to the RSU Selected Person.

### *(f) Acceptance of RSUs*

A RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed to be granted from the date of the RSU Grant Letter (the “**RSU Grant Date**”). Upon acceptance, the RSU Selected Person becomes a RSU Participant in the RSU Scheme.

### *(g) Restrictions on grants*

Our Board may not grant any RSUs to any RSU Selected Persons in any of the following circumstances:

- (i) the requisite approvals for the grant from any applicable regulatory authorities have not been obtained;
- (ii) the securities laws or regulations require that a [REDACTED] or other [REDACTED] be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless our Board determines otherwise;
- (iii) where granting the RSUs would result in a breach of any applicable securities laws, rules or regulations by our Company, any subsidiary of our Company or any of their directors; or
- (iv) where such grant of RSUs would result in exceeding the maximum number of RSU under the RSU Scheme as set out in paragraph (h) below.



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***(h) Maximum number of RSUs***

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall not exceed 5,500,000, subject to any adjustment pursuant to any capitalization issue or capital restructuring/be such number of Shares held or to be held by the Trustee (as defined in paragraph (m) below) for the purpose of the RSU Scheme from time to time. Such maximum number is expected to be adjusted to [REDACTED] RSUs after the [REDACTED].

***(i) Rights attached to RSUs***

A RSU Participant does not have any contingent interest in any Shares underlying the RSUs unless and until the RSUs are vested and exercised by the RSU Participant. Further, a RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to the vesting and exercise of such RSUs. The Trustee (as defined in paragraph (m) below) shall exercise the voting rights attached to the Shares underlying the RSUs prior to the vesting and exercise thereof by the RSU Participant. Unless otherwise specified by our Board in its entire discretion in the Grant Letter, a RSU Participant does not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

***(j) Rights attached to Shares***

Any Shares transferred to a RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members. Accordingly, such Shares will entitle the holders all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of our Company closed, the first day of the reopening of the register of members.

***(k) Assignment of RSUs***

The RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant, and are not assignable. RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the Trustee (as defined in paragraph (m) below) on trust for the RSU Participants, the RSUs or any interest or benefits therein.

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### *(l) Vesting of RSUs*

Our Board may determine the vesting criteria, conditions and the time schedule for the vesting of the RSUs and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Company shall send a vesting notice (the “**Vesting Notice**”) to each of the relevant RSU Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU shall be cancelled according to conditions as determined by our Board in its absolute discretion.

### *(m) Appointment of trustee*

Our Company may appoint trustee(s) (the “**Trustee(s)**”) to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. Our Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the Trustee by whatever means as our Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration of the RSU Scheme. On August 17, 2021, 5,500,000 Shares, being the maximum number of underlying Shares of the RSUs that may be granted under the RSU Scheme (subject to any adjustment pursuant to any capitalization issue or capital restructuring), were allotted and issued to Creative Summit as the holding company for the administration of the RSU Scheme Trust, which was established with our Company as the settlor and Mr. Wang as the Trustee. On September 10, 2021, October 31, 2022 and September 15, 2023, Creative Summit transferred 880,000 Shares, 660,000 Shares and 660,000 Shares, respectively, to Rising Kong at nil consideration pursuant to the RSU Scheme. As of the Latest Practicable Date, Creative Summit held 3,300,000 underlying Shares of the RSUs granted under the RSU Scheme, for the benefit of RSU Eligible Persons pursuant to the RSU Scheme.

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### *(n) Exercise of RSUs*

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the Trustee and copied to our Company subject to the conditions of the RSU Scheme. Any exercise of RSUs must be in respect of a board lot or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot).

In an exercise notice, the RSU Participant shall request the Trustee to, and our Board shall direct and procure the Trustee to within five business days, either transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) or transfer the sale proceeds arising from the sale of such Shares to the RSU Participant which our Company has allotted and issued to the Trustee as fully paid up Shares or which the Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the Trustee or as the Trustee directs.

Notwithstanding the foregoing, if the RSU Participant would or might be prohibited from [REDACTED] the Shares by the Listing Rules (including but not limited to (i) the blackout period as stipulated in rule A.3 of the Model Code in Appendix C3 of the Listing Rules; and (ii) the Inside Information Provisions of the SFO) or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be allotted and issued or transferred (as the case may be) to such RSU Participant shall occur as soon as possible after the date when such [REDACTED] is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

The RSU Participant shall serve the exercise notice after receiving the Vesting Notice.

### *(o) Rights on a compromise or arrangement*

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such Shareholders' approval is obtained, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

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***(p) Rights on voluntary winding-up***

If an effective resolution is passed during the RSU Scheme Period for the voluntary winding-up of our Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. In such case, no Shares will be transferred, and no cash alternative will be paid, to the RSU Participant, but the RSU Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Shareholders such sum as they would have received in respect of the RSUs.

***(q) Lapse of RSUs***

Subject to the terms and conditions of the RSU Scheme and save as otherwise expressly provided in the RSU Grant Letter, the unvested RSUs will automatically lapse upon:

- (a) in respect of a RSU Participant who is an employee of our Company, the date of the termination of the RSU Participant's employment or service by any subsidiary of our Company; or
- (b) in respect of a RSU Participant who is a consultant of our Company, the date on which the RSU Participant could no longer make any contribution to the growth and development of any subsidiary of our Company by reason of the cessation of its relations with our Group or by any other reason whatsoever; or
- (c) the date when the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs.

Notwithstanding the aforesaid under paragraph (q), our Board may at its sole and absolute discretion decide that any RSU shall not lapse and/or shall be subject to such conditions or limitations as our Board may decide.

If the RSU Participant's employment or service with our Company or any subsidiary of our Company is terminated by reason of retirement, death or disability, our Board shall determine at its absolute discretion and shall notify the RSU Participant whether any unvested RSU granted to such RSU Participant shall vest and the period within which such RSU shall vest. If our Board determines that such RSU shall not vest, such RSU shall be cancelled automatically with effect from the date on which the RSU Participant's employment or service is terminated.

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### *(r) Cancellation of RSUs*

Our Board may at its discretion cancel any RSUs that has not vested or lapsed, provided that:

- (i) our Company or our subsidiary pay to the RSU Participant an amount equal to the fair value of the RSUs at the date of the cancellation as determined by our Board, after consultation with the auditors or an independent financial advisor appointed by our Board;
- (ii) our Company or our relevant subsidiary provides to the RSU Participant a replacement award (or a grant of option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be cancelled; or
- (iii) our Board makes any arrangement as the RSU Participant may agree in order to compensate him/her for the cancellation of the RSUs.

### *(s) Reorganization of capital structure*

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company, our Board may make such equitable adjustments, designed to protect the RSU Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

### *(t) Amendment of the RSU Scheme*

Save as provided in the RSU Scheme, our Board may alter any of the terms of the RSU Scheme at any time. Written notice of any amendment to the RSU Scheme shall be given to all RSU Participants. Any alterations to the terms and conditions of the RSU Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any RSU Participant shall be subject to the consent of the RSU Participants amounting to three-fourths in nominal value of all underlying RSUs so held by the RSU Participants on the date of the relevant resolution passed by our Board in approving the amendment of the RSU Scheme or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the RSU Scheme. The determination of our Board as to whether any proposed alteration to the terms and conditions of the RSU Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

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### *(u) Termination of the RSU Scheme*

Our Board may terminate the RSU Scheme at any time before the expiry of the RSU Scheme Period. The provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the RSU Scheme prior to the termination of its operation. Our Company or our relevant subsidiary shall notify the Trustee and all RSU Participants of such termination and of how any property held by the Trustee on trust for the RSU Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

### *(v) Administration of the RSU Scheme*

Our Board has the power to administer the RSU Scheme, including the power to construe and interpret the rules of the RSU Scheme and the terms of the RSUs granted under it. Our Board may delegate the authority to administer the RSU Scheme to a committee or a member of our Board. Our Board may also appoint one or more independent third party contractors to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as our Board thinks fit.

Our Board's determinations under the RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it.

If a Director is a RSU Participant he/she may, notwithstanding his/her own interest and subject to the Articles, vote on any Board resolution concerning the RSU Scheme (other than in respect of his/her own participation in it), and may retain RSUs under it. Each RSU Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and our Board's administration of the RSU Scheme.

### *(w) Details of the RSUs granted*

As of the Latest Practicable Date, RSUs in respect of 5,500,000 underlying Shares (which are expected to be adjusted to [REDACTED] underlying Shares after the [REDACTED]) had been granted to 25 RSU Participants at nil consideration pursuant to the RSU Scheme, representing approximately [REDACTED]% of the issued Shares of our Company upon completion of the [REDACTED] and the [REDACTED] without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme. As of the Latest Practicable Date, all the RSUs under the RSU Scheme were granted.

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Below is a list of the RSU Participants having been granted the RSUs under the RSU Scheme as of the Latest Practicable Date:

Name of the RSU Participants	Position(s) held with our Group	Date of grant	Number of Shares underlying the RSUs granted (before adjustment)	Number of Shares underlying the RSUs vested or with vesting conditions (before adjustment)	Number of Shares underlying the RSUs granted (as adjusted after the [REDACTED] <sup>(1)</sup> )	Number of Shares underlying the RSUs vested or with vesting conditions (as adjusted after the [REDACTED] <sup>(1)</sup> )	Approximate percentage of the number of Shares underlying the RSUs granted over the issued Shares of our Company immediately after completion of the [REDACTED] and the [REDACTED] <sup>(2)</sup>
<i>Director</i>							
Dr. Dang Qun (黨群)	Executive Director, president and chief business officer	August 18, 2021	2,200,000	2,200,000	[REDACTED]	[REDACTED]	[REDACTED]%
<i>Senior management (excluding Dr. Dang Qun)</i>							
Dr. Luo Feng (羅鋒)	Senior vice president and chief development officer	November 1, 2024	500,000	0	[REDACTED]	[REDACTED]	[REDACTED]%
Dr. Li Pan (李磐)	Vice president	August 18, 2021	440,000	440,000	[REDACTED]	[REDACTED]	[REDACTED]%
<i>Other employees of our Group</i>							
15 participants		August 18, 2021 or November 1, 2024	1,418,000	1,267,500	[REDACTED]	[REDACTED]	[REDACTED]%
<i>Former employees of our Group</i>							
Seven participants		August 18, 2021	942,000	942,000	[REDACTED]	[REDACTED]	[REDACTED]%
<b>Total</b>			<b>5,500,000</b>	<b>4,849,500</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]%</b>

*Notes:*

- (1) It is expected that equitable adjustments will be made to the number of Shares underlying the RSUs pursuant to the RSU Scheme to protect the RSU Participants’ interest from the dilution effect of the [REDACTED].
- (2) The calculation is made assuming the [REDACTED] and the [REDACTED] have been completed and the [REDACTED] or any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised.



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### 2. Post-[REDACTED] Share Scheme

The following is a summary of the principal terms of the Post-[REDACTED] Share Scheme conditionally adopted by our Company pursuant to the written resolutions of our then Shareholders passed on [●], 2025.

#### *(a) Purpose of the Post-[REDACTED] Share Scheme*

The Post-[REDACTED] Share Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Post-[REDACTED] Share Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

#### *(b) Eligible participants of the Post-[REDACTED] Share Scheme*

Our Board may, at its discretion, offer to grant an option to any director and employee of our Company or any of our subsidiaries (including persons who are granted options under the Post-[REDACTED] Share Scheme as an inducement to enter into employment contracts with our Company and/or any of our subsidiaries) (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (f) below.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

#### *(c) Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for [REDACTED] Shares on the Stock Exchange



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or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for [REDACTED] Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

The vesting period of any options shall not be less than 12 months. Options may be subject to a shorter vesting period under any of the following circumstances:

- (a) where the options are granted in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by our Company or any of our subsidiary or with which our Company or any of our subsidiary combines;
- (b) where the Shares to be issued upon the exercise of such options are subject to a minimum holding period of not less than 12 months and are delivered to an Eligible Participant under his/her compensation arrangements with our Company, including Shares delivered to a non-employee director in respect of such non-employee director's annual retainer;
- (c) where the options are sign-on or make-whole grants to new Eligible Participants;
- (d) where the options are subject to performance-based vesting conditions;
- (e) where the options are granted in batches for administrative or compliance reasons;
- (f) where the options shall vest evenly over a period of 12 months or more;

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- (g) where the options are subject to a total vesting and holding period of more than 12 months; or
- (h) in cases of retirement, separation, retention arrangements, death, disability or a change in control of our Company, our Board may accelerate the vesting of the options at its sole discretion.

*(d) Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Post-[REDACTED] Share Scheme and under any other share schemes of our Company must not in aggregate exceed 10% ("**Scheme Limit**") of the total number of Shares in issue (excluding treasury Shares) immediately following completion of the [REDACTED], being [REDACTED] Shares (assuming that the [REDACTED] is not exercised). Our Company may either issue new Shares or transfer treasury Shares to the relevant grantee to satisfy the awards upon exercise of the options granted under the Post-[REDACTED] Share Scheme. As of the date of grant of any options under the Post-[REDACTED] Share Scheme, the maximum number of Shares in respect of which options may be granted is such number of Shares less the aggregate of the following:

- (i) the number of Shares which would be issued (including treasury Shares which would be transferred) on the exercise in full of the options under the Post-[REDACTED] Share Scheme or under any other share schemes of our Company but not cancelled or exercised;
- (ii) the number of Shares which have been issued and allotted (including treasury Shares which would be transferred) pursuant to the exercise of any options under the Post-[REDACTED] Share Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company; and
- (iii) the number of those Shares which were the subject of options which had been granted and accepted under the Post-[REDACTED] Share Scheme and any other share schemes of our Company but subsequently cancelled.

Subject to the approval of our Shareholders in general meeting in compliance with Rules 17.03C(1) and 17.03C(2) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time, our Board may refresh the Scheme Limit from time to time to 10% of the number of Shares in issue (excluding treasury Shares) ("**New Scheme Limit**") as at the date of the approval by our Shareholders in general meeting ("**New Approval Date**"). Any refreshment within any three year period from the date of our Shareholders' approval for the last refreshment (or the adoption of the Post-[REDACTED] Share Scheme) must be approved by our Shareholders subject to the following provisions:

- (i) any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) abstaining from voting in favour of the relevant resolution at the general meeting of our Company; and

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- (ii) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules,

and thereafter, as of the date of grant of any options under the Post-[REDACTED] Share Scheme, the maximum number of Shares in respect of which options may be granted is the New Scheme Limit less the aggregate of the following:

- (i) the number of Shares which would be issued (including treasury Shares which would be transferred) on the exercise in full of the options under the Post-[REDACTED] Share Scheme or under any other share schemes of our Company granted on or after the New Approval Date but not cancelled or exercised;
- (ii) the number of Shares which have been issued and allotted (including treasury Shares which would be transferred) pursuant to the exercise of any options under the Post-[REDACTED] Share Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company granted on or after the New Approval Date; and
- (iii) the number of those Shares which were the subject of options which had been granted on or after the New Approval Date and accepted under the Post-[REDACTED] Share Scheme and any other share schemes of our Company but subsequently cancelled.

Subject to the approval of our Shareholders in general meeting in compliance with Rule 17.03C(3) of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time, our Board may grant options exceeding the Scheme Limit to Eligible Participants specifically identified by our Board.

The Scheme Limit shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of our Company.

*(e) Maximum number of options to any one individual*

Our Board shall, subject to and in accordance with the provisions of the Post-[REDACTED] Share Scheme and the Listing Rules, be entitled to but shall not be bound, at any time on any business day during the Scheme Period (as defined in paragraph (j) below) offer to grant an option to any Eligible Participant whom our Board may in its absolute discretion select and subject to such conditions (including, without limitation, the vesting period and/or any performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (k) below) during a specified performance period which must be achieved before an option can be exercised) as it may think fit.

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If our Board determines to offer options under the Post-[REDACTED] Share Scheme to an Eligible Participant which, when aggregated with any Shares issued or to be issued in respect of all options or awards granted to that person (excluding any options or awards lapsed in accordance with the terms of the relevant schemes) under the Post-[REDACTED] Share Scheme and the other share schemes of our Company in any 12-month period up to and including the date of such offer, exceed 1% of the number of Shares in issue (excluding treasury Shares) on the Offer Date:

- (i) the grant shall be subject to (a) the issue of a circular by our Company to our Shareholders which shall comply with Rules 17.03D and 17.06 of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time; and (b) the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting; and
- (ii) unless provided otherwise in the Listing Rules, the date of the Board meeting at which our Board resolves to grant the proposed options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the [REDACTED] of our Shares.

Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

- (aa) the Eligible Participant's name, address and occupation;
- (bb) the date on which an option is offered to an Eligible Participant which must be a business day;
- (cc) the date upon which an offer for an option must be accepted;
- (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the option is offered;
- (ff) the [REDACTED] and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
- (gg) the date of the notice given by the grantee in respect of the exercise of the option;

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- (hh) the method of acceptance of the option which shall, unless our Board otherwise determines, be as set out in paragraph (c); and
- (ii) such other terms and conditions (including, without limitation, the vesting period and/or any performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (k) below) during a specified performance period which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of our Board are fair and reasonable but not being inconsistent with the Post-[REDACTED] Share Scheme and the Listing Rules.

### *(f) Price of Shares*

Subject to any adjustments made as described in paragraph (r) below, the [REDACTED] of a Share in respect of any particular option granted under the Post-[REDACTED] Share Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
- (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

### *(g) Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued in respect of all options and awards granted to such person under the Post-[REDACTED] Share Scheme or the other share schemes of our Company (excluding any options and awards lapsed in accordance with the terms of such schemes) in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue (excluding treasury Shares) on the date of such grant, such further grant of options will be subject to, in addition to the abovementioned approval of the independent non-executive Directors, the approval of our Shareholders in general meeting in

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accordance with Rule 17.04(4) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time. Our Company must also send a circular to our Shareholders, which shall contain the following information:

- (i) the details of the number and terms (including the information required under Rules 17.03(5) to 17.03(10) and Rule 17.03(19) of the Listing Rules) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting, and the date of grant (which shall be the date of the Board meeting at which our Board proposes to grant the proposed options to that Eligible Participant);
- (ii) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of our Company and our Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

### ***(h) Restrictions on the time of grant of options***

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and Part XIVA of the SFO. In particular, no options may be granted during the period commencing 30 days immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our annual results or our results for half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our annual results or our results for half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results for such year, half-year, quarterly or interim period (as the case may be) and where an option is granted to a Director, no options shall be granted:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

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## STATUTORY AND GENERAL INFORMATION

- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

*(i) Rights are personal to grantee*

Save for a transfer to a vehicle (such as a trust or a private company) for the benefit of the grantee and any family members of such grantee (including for estate planning or tax planning purposes) that would continue to meet the purpose of the Post-[REDACTED] Share Scheme and comply with other requirements of the Listing Rules, in which case a waiver must be obtained from the Stock Exchange, an option and offer to grant an option is personal to the grantee and shall not be transferable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him/her or any offer relating to the grant of an option made to him/her or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Post-[REDACTED] Share Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

*(j) Time of exercise of option and duration of the Post-[REDACTED] Share Scheme*

An option may be exercised in accordance with the terms of the Post-[REDACTED] Share Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the [REDACTED]. Subject to earlier termination by our Company in general meeting or by our Board, the Post-[REDACTED] Share Scheme shall be valid and effective for a period of 10 years from the [REDACTED] (“**Scheme Period**”).

*(k) Performance target*

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Post-[REDACTED] Share Scheme can be exercised. The performance targets shall be assessed in accordance with any one or more of the following corporate-wide or subsidiary, division, operating unit, line of business, project, geographical or individual performance measures (“**Performance Measures**”) during a specified performance period: cash flow; earnings; earnings per share; market value added or economic value added; profits; return on assets; return on equity; return on investment; sales; revenue; Share price; total shareholder return; customer satisfaction metrics; and such other goals as our Board may determine from time to time. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of our Company and/or the past or current performance of other companies,



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and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, investments or to assets or net assets. Our Board may, in its sole discretion, amend or adjust the Performance Measures and establish any special rules and conditions to which the Performance Measures shall be subject at any time.

### *(l) Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries:

- (i) by any reason other than death or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his/her personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

### *(m) Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries on the grounds that he/she has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

### *(n) Rights on takeover*

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.



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***(o) Rights on winding-up***

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

***(p) Rights on compromise or arrangement between our Company and our members or creditors***

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable as if such compromise or arrangement had not been proposed by our Company.

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**STATUTORY AND GENERAL INFORMATION**

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*(q) Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares to be allotted and issued upon the exercise of options, subject to the provisions of the articles of association of our Company, will carry the same right in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. For the avoidance of doubt, Shares issued upon the exercise of an option shall not be entitled to any rights attaching to Shares by reference to a record date preceding the date of allotment.

*(r) Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the [REDACTED] per Share of each outstanding option as the auditors of our Company or an approved independent financial advisor shall at the request of our Company or any grantee, certify in writing either generally or as regards any particular grantee to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance issued by the Stock Exchange on November 6, 2020 and any further guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and/or such other requirement prescribed under the Listing Rules from time to time), rounded to the nearest whole Share, as that to which he/she was entitled [REDACTED] had he/she exercised all the options held by him/her immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

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*(s) Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of our subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by our Board), or has been insolvent, bankrupt or has made compositions with his creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

Save as provided above in this paragraph (s), no options or shares issued upon the exercise of any options under the Post-[REDACTED] Share Scheme are subject to any clawback mechanism.

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## STATUTORY AND GENERAL INFORMATION

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### *(t) Alteration of the Post-[REDACTED] Share Scheme*

The Post-[REDACTED] Share Scheme may be altered in any respect by resolution of our Board except that:

- (i) any change to the terms of options granted to a grantee must be approved by our Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) if the initial grant of the options was approved by our Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) (except any changes which take effect automatically under the terms of the Post-[REDACTED] Share Scheme); and
- (ii) any alterations to the terms and conditions of the Post-[REDACTED] Share Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants or any change to the authority of the Directors or the administrators of the Post-[REDACTED] Share Scheme to alter the terms of the Post-[REDACTED] Share Scheme must be approved by our Shareholders in general meeting.

The amended terms of the Post-[REDACTED] Share Scheme shall still comply with Chapter 17 of the Listing Rules.

### *(u) Cancellation of options*

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

### *(v) Termination of the Post-[REDACTED] Share Scheme*

Our Company may by resolution in general meeting or our Board at any time terminate the Post-[REDACTED] Share Scheme and in such event no further option shall be offered but the provisions of the Post-[REDACTED] Share Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-[REDACTED] Share Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Post-[REDACTED] Share Scheme.

### *(w) Administration of our Board*

The Post-[REDACTED] Share Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Post-[REDACTED] Share Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

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### *(x) Conditions of the Post-[REDACTED] Share Scheme*

The Post-[REDACTED] Share Scheme shall take effect subject to and is conditional on:

- (i) the passing of the necessary resolution by our Shareholders to approve and adopt the rules of the Post-[REDACTED] Share Scheme;
- (ii) the Stock Exchange granting the approval for [REDACTED] of and permission to [REDACTED] our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Post-[REDACTED] Share Scheme;
- (iii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) by the [REDACTED] and not being terminated in accordance with the terms of the [REDACTED] or otherwise; and
- (iv) the commencement of [REDACTED] our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within twelve calendar months from the adoption date:

- (i) the Post-[REDACTED] Share Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Post-[REDACTED] Share Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Post-[REDACTED] Share Scheme or any option granted thereunder.

### *(y) Disclosure in annual and interim reports*

Our Company will disclose details of the Post-[REDACTED] Share Scheme in our annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and other information as prescribed under the Listing Rules from time to time during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

### *(z) Present status of the Post-[REDACTED] Share Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Post-[REDACTED] Share Scheme.

Application has been made to the Stock Exchange for the approval for [REDACTED] of and permission to [REDACTED] our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Post-[REDACTED] Share Scheme, being [REDACTED] Shares in total.

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### E. OTHER INFORMATION

#### 1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

#### 2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

#### 3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive an aggregate fee of [REDACTED] for acting as the sponsor for the [REDACTED].

The Sole Sponsor has made an application on our Company’s behalf to the Stock Exchange for [REDACTED] of, and permission to [REDACTED], all the Shares in issue and to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme). All necessary arrangements have been made for the Shares to be admitted into [REDACTED].

#### 4. Preliminary expenses

The preliminary expenses incurred and paid by our Company relating to the incorporation of our Company were RMB25,000.

#### 5. No material adverse change

Our Directors confirm that there has been no material adverse change in our Group’s financial or trading position since December 31, 2024 (being the date on which the latest audited consolidated financial information of our Group was prepared).

#### 6. Promoters

Our Company has no promoter. 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 promoters in connection with the [REDACTED] and the related transactions described in this document.

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### 7. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

<u>Name</u>	<u>Qualifications</u>
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Legal advisors to our Company as to PRC laws
Frost & Sullivan	Industry consultant

Each of the experts named above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters, opinions, summaries of opinions and/or references to its name included herein in the form and context in which they respectively appear.

### 8. Interests of experts in our Company

Except as disclosed in this document and save for its obligations under the [REDACTED], none of the persons named in “– E. Other Information – 7. Qualifications and consents of experts” above is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

### 9. Taxation of holders of Shares

#### (a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from [REDACTED] the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

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*(b) Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

*(c) Consultation with professional advisors*

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of holding or disposing of or [REDACTED] the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [REDACTED] will accept responsibility for any tax effect on, or liabilities of, holder of Shares resulting from their [REDACTED] Shares or exercise of any rights attaching to them.

### 10. Binding effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

### 11. Miscellaneous

- (a) Within the two years immediately preceding the date of this document:
- (i) save as disclosed in "History, Reorganization and Corporate Structure" in this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries, other than the service fee paid in relation to the issuance of the Preferred Shares; and
  - (iv) no commission has been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) no founder, management or deferred Shares nor any debenture in our Company or any of our subsidiaries have been issued or agreed to be issued;



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- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;
- (d) the principal register of members of our Company will be maintained in the Cayman Islands by the [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to [REDACTED];
- (e) no company within our Group is presently [REDACTED] any stock exchange or [REDACTED] any trading system and our Group is not seeking or proposing to [REDACTED], or permission to [REDACTED], the share or loan capital of our Company on any other stock exchange;
- (f) our Directors have been advised that under Cayman Companies Act the use of a Chinese name by our Company in conjunction with its English name does not contravene the Cayman Companies Act;
- (g) our Company has no outstanding convertible debt securities or debentures;
- (h) there is no arrangement under which future dividend are waived or agreed to be waived; and
- (i) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

**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 (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

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**APPENDIX V                      DOCUMENTS DELIVERED TO THE REGISTRAR  
OF COMPANIES AND DOCUMENTS ON DISPLAY**

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**A.    DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in “Appendix IV—Statutory and General Information—E. Other Information—7. Qualifications and Consents of Experts” to this document; and
- (b) a copy of each of the material contracts referred to in “Appendix IV—Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” to this document.

**B.    DOCUMENTS ON DISPLAY**

The following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([www.genuine-bio.com](http://www.genuine-bio.com)) up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report from Ernst & Young, the text of which is set out in Appendix I to this document;
- (c) the report from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;
- (d) the audited consolidated financial statements of our Group for the two years ended December 31, 2024;
- (e) the legal opinion issued by Jingtian & Gongcheng, our PRC Legal Advisors, in respect of certain general corporate matters and the business operations of our Group;
- (f) the letter of advice prepared by Conyers Dill & Pearman, our legal advisors as to Cayman Islands laws, summarizing certain aspects of the company law of the Cayman Islands referred to in Appendix III to this document;
- (g) the material contracts referred to in “Appendix IV—Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” to this document;

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**APPENDIX V                      DOCUMENTS DELIVERED TO THE REGISTRAR  
OF COMPANIES AND DOCUMENTS ON DISPLAY**

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- (h) the service agreements and the letters of appointment referred to in “Appendix IV—Statutory and General Information—C. Further Information about Our Directors and Substantial Shareholders—1. Directors—(b) Particulars of Service Agreements and Letters of Appointment” to this document;
- (i) the written consents referred to in “Appendix IV—Statutory and General Information—E. Other Information—7. Qualifications and Consents of Experts” to this document;
- (j) the rules of the RSU Scheme;
- (k) the rules of the Post-[REDACTED] Share Scheme;
- (l) the Cayman Companies Act; and
- (m) the industry report issued by Frost & Sullivan.