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

Application Proof of

Eastenova (Chengdu) Biotechnology Co., Ltd.
東方妍美(成都)生物技術股份有限公司

(the "**Company**")

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

WARNING

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

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sole sponsor, sponsor-overall coordinator, overall coordinator(s), advisors or members of the underwriting syndicate that:

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

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

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

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

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

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

(g) neither the Company nor any of its affiliates, its sole sponsor, sponsor-overall coordinator, overall coordinator(s), advisors or members of its underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

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

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

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

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

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be made available to the public during the offer period.

IMPORTANT

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

Eastenova (Chengdu) Biotechnology Co., Ltd.
東方妍美(成都)生物技術股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED] 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)**

[REDACTED]

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

建银国际
CCB International

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

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

The **[REDACTED]** is expected to be fixed by agreement by the **[REDACTED]** (for [itself] and on behalf of the other **[REDACTED]**) and us on the **[REDACTED]**. The **[REDACTED]** is expected to be on **[REDACTED]** (Hong Kong time). The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**, unless otherwise announced. Applicants for the **[REDACTED]** are required to pay, on **[REDACTED]**, the **[REDACTED]** of HK$**[REDACTED]** for each **[REDACTED]** together with brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC **[REDACTED]** of 0.00015%, subject to refund if the **[REDACTED]** as finally determined is less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed by **[REDACTED]** (Hong Kong time) by the **[REDACTED]** (for [itself] and on behalf of the other **[REDACTED]**) and us, the **[REDACTED]** will not proceed and will lapse.

The **[REDACTED]** (for [itself] and on behalf of the other **[REDACTED]**) may, with the consent of our Company, reduce the number of **[REDACTED]** and/or the indicative **[REDACTED]** below that stated in this document (which is HK$**[REDACTED]** to HK$**[REDACTED]**) at any time in or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, a notice of the reduction in the number of **[REDACTED]** and/or the indicative **[REDACTED]** will be published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **http://dfyanmei.com/** not later than the morning of the last day for lodging **[REDACTED]** under the **[REDACTED]**. Further details are set forth in "**[REDACTED]**" and "**[REDACTED]**" in this document. If **[REDACTED]** for the **[REDACTED]** have been submitted prior to the day which is the last day for lodging applications under the **[REDACTED]**, then such **[REDACTED]** can be subsequently withdrawn if the number of **[REDACTED]** and/or the indicative **[REDACTED]** is so reduced.

The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure applicants for the subscription for, the [REDACTED], are subject to termination by the [REDACTED] (for [itself] and on behalf of the [REDACTED]) if certain grounds arise prior to [REDACTED] on the [REDACTED]. Such grounds are set out in the section headed "[REDACTED]" in this document. It is important that you refer to that section for further details.

We are incorporated, and a majority of our business is located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors", "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of Articles of Association" to this document.

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The **[REDACTED]** are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Sole Sponsor,* [REDACTED]*, any of our or their respective directors, officers or representatives, or any other person or party involved in the* [REDACTED]*. Information contained in our website (http://dfyanmei.com/), does not form part of this document.

CONTENTS

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decided to* [REDACTED] *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" of this document. You should read that section carefully before you decide to invest in the* [REDACTED]. *In particular, we are a biotechnology 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. Our Core Product is the product for the purpose of satisfying the eligibility requirements under Chapter 18A of the Listing Rules. We may continue to incur substantial costs and expenses in relation to R&D activities for the Core Product, and our Core Product may not be successfully developed or marketed. 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

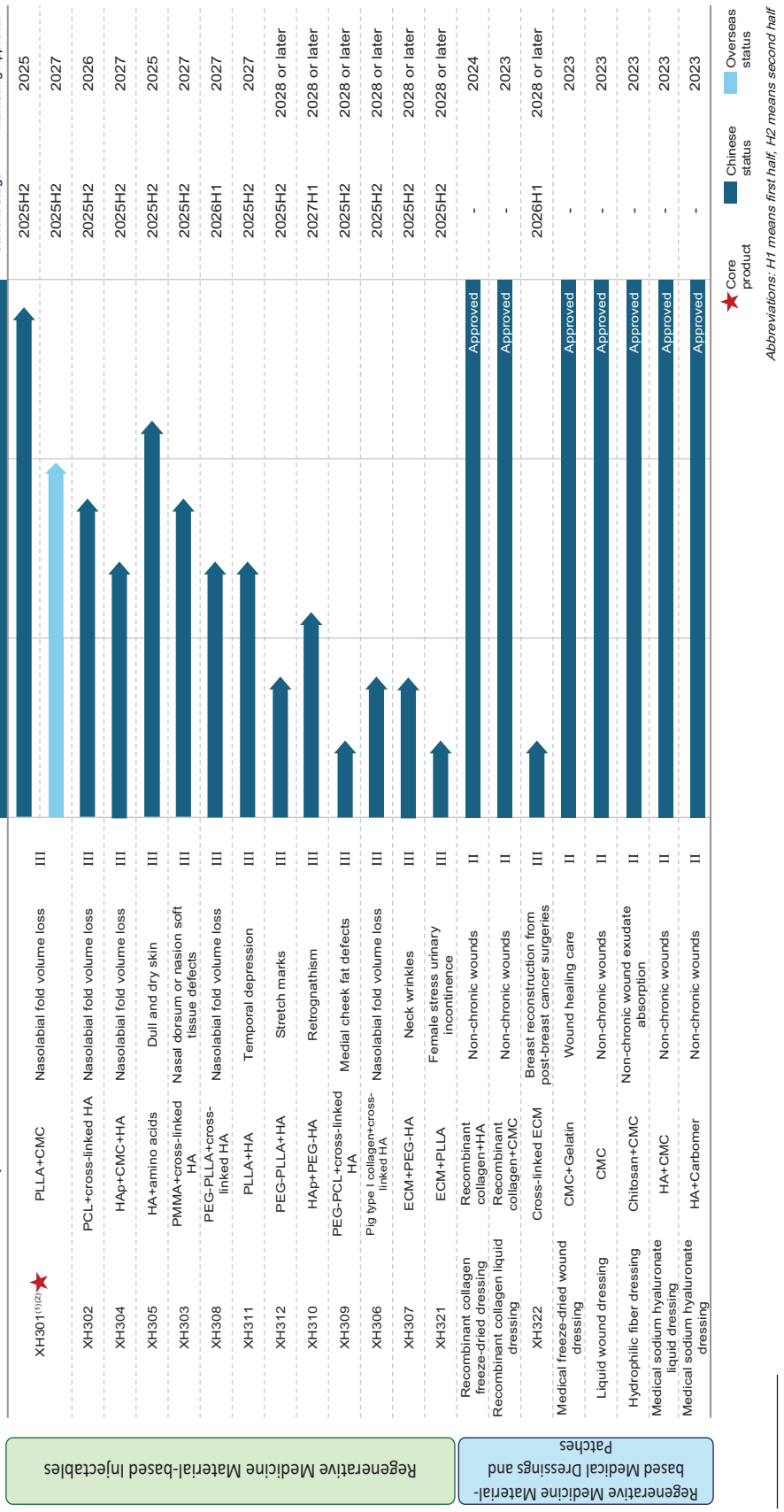
We are a healthcare company engaged primarily in the R&D, manufacturing, and commercialization of regenerative medicine medical devices and foods for special medical purposes (FSMPs) established in 2016. We focus on the development, transformation, and application of regenerative medicine materials, and the R&D of specific nutritionally complete formula foods. Regenerative medicine medical devices are designed to restore, replace, or regenerate cells, tissues, or organs for disease treatment or alleviation, often incorporating biomaterials and tissue engineering techniques, aimed at promoting tissue regeneration and repair. We have been concentrating on the regenerative medicine materials field, continuously advancing our research in cutting-edge technology and developing innovative application scenarios, strategically exploring and developing regenerative biomaterials, and have accumulated critical technologies, including those for the R&D, modification and preparation of polymer materials and the regenerative biomaterials, and the R&D and preparation for microspheres. We have possessed the capabilities of translating our technology in regenerative medicine material into mature products which meets market demands. As a technology platform company for regenerative medicine materials, our robust product portfolio is currently comprised of two major product lines, i.e. regenerative medicine material-based injectables and regenerative medicine material-based medical dressings and patches. Simultaneously, we recognize the significant role FSMP plays in improving the effect of clinical treatment on patients and reducing national healthcare burden. We are confident in the strong market potential of the FSMP market. Therefore, since our inception, we have strategically expanded into the FSMP market, and obtained the registration approval for

our first FSMP product as early as 2021. According to Frost & Sullivan, we are one of the earliest market players in China to obtain registration approval for an FSMP product for individuals over one year old.

As of the Latest Practicable Date, we had 13 major regenerative medicine material injectable product candidates, all of which are regulated as Class III medical devices, including XH301, our Core Product, and XH321, a product candidate with an indication for treating female stress urinary incontinence. Two of such 13 product candidates had entered the registration review stage. In our product line of regenerative medicine material-based medical dressings and patches, we have seven products which had obtained Class II medical device registration approval, and one cross-linked ECM product candidate, XH322, with an indication for treating post-mastectomy breast reconstruction at a preclinical stage. Our FSMP product pipeline included two products approved by the SAMR and seven product candidates under development, as of the same date.

SUMMARY

The following chart summarizes the development status of our major product candidates, all internally-developed, under our product lines for regenerative medicine medical devices and FSMPs, respectively, as of the Latest Practicable Date:



Notes:

(1) We were preparing to submit application for CE Marking certification in the EU for XH301 as of the Latest Practicable Date.

(2) For the purpose of commercialization of XH301 in the EU, based on our communication with a CRO engaged by us, we understand that the clinical trial data of XH301, once approved by the NMPA, can be used for application for registration in the EU. Prior to entering and operating in any region outside of mainland China, we will conduct comprehensive and continuous analysis on the market conditions and regulatory requirements, engage overseas consultants with local expertise and seek professional advice whenever necessary to ensure local compliance.

	Products	Classification	Type/Features	Pre-clinical	Clinical trials[1]	Registration	Expected Completion of the Current Stage	Expected/Obtained Marketing Approval
Foods for Special Medical Purposes	Xi Qin	Non-nutritionally complete formula foods	Carbohydrate component			Approved	-	2021
	Xi Hongyuan	Non-nutritionally complete formula foods	Electrolyte formula			Approved	-	2023
	Xi Shengyuan	Non-nutritionally complete formula foods	Protein component				2025H2	2025
	Xi Xinli	Non-nutritionally complete formula foods	Liquid formula				2025H2	2027
	Xi Yangyuan	Nutritionally complete formula foods	Whole proteins				2025H1	2026
	Xi Fuan	Nutritionally complete formula foods	Short peptides				2025H2	2027
	XHT01	Specific nutritionally complete formula foods	Diabetes-specific				2025H2	2028 or later
	XHT02	Specific nutritionally complete formula foods	Nephropathy-specific				2025H2	2028 or later
	XHT03	Specific nutritionally complete formula foods	Chronic obstructive pulmonary-specific				2025H2	2028 or later

Chinese Status

Abbreviations: H1 means first half, H2 means second half

Note:

(1) Only specific nutritionally complete formula foods are required to go through clinical trials for purpose of registration.

SUMMARY

Regenerative medicine is an emerging interdisciplinary medical field that reconstructs or replaces damaged tissues utilizing regenerative biomaterials, tissue engineering, and other approaches. The core value of regenerative medicine lies in overcoming the limitations of conventional medicine by harnessing the body's innate regenerative potential. In the past decade, the global regenerative medicine market has experienced rapid growth, and the China regenerative medicine market has also been supported and driven by favorable national policies. In particular, in 2021, the "14th Five-Year" Plan for National Clinical Specialty Capacity Building (「十四五」國家臨床專科能力建設規劃) promoted regenerative medicine as a key technology focus for multiple diseases. In 2023, the Guidelines on Further Improving the Healthcare Service System (關於進一步完善醫療衛生服務體系的意見) requested the advancement of cutting-edge medical technologies, including regenerative medicine. In 2024, the Opinions on Developing the Silver Economy to Enhance Elderly Well-being (關於發展銀髮經濟增進老年人福祉的意見) proposed to foster the anti-aging industry by accelerating the R&D and applications of regenerative medicine. In the regenerative medicine industry, regenerative medicine materials have considerably more advanced clinical progress, stronger commercial certainty, and a clearer path of technology transformation, compared to other approaches, such as tissue engineering. In the regenerative medicine materials sector in China, the clinical application of regenerative medicine materials is continuing to deepen, and the forms of regenerative medicine material products are increasingly diversified. This industry has seen changes from natural materials to synthetic materials, from single materials to composite materials, and from simple applications to high-end applications. In terms of type of materials, animal-based materials and polymer materials, as the major types of regenerative medicine materials, are currently the main focus of the active domestic market players. While in terms of clinical applications, regenerative medicine medical devices represent a major application area for regenerative medicine materials.

The clinical application of regenerative medicine materials is subject to multiple stringent requirements that, including among others, the regenerative medicine materials (i) must exhibit high compatibility to eliminate the risk of immune rejection by the human body, (ii) need to demonstrate stability and degradation compliance, implying that their degradation rate should align with the tissue growth rate to facilitate smooth tissue regeneration, (iii) are expected to possess induction activity, enabling the stimulation of tissue growth and remodeling for enhanced therapeutic effects, and (iv) must satisfy the mechanical property requirements for diverse clinical applications, ensuring they possess adequate force compliance. Continuous technological innovation is indispensable to meeting these demanding criteria. From material preparation methods and structural and performance optimization to interface reactions and surface modification, each stage necessitates refined and advanced process control. Technological and process advancements play a critical role in the performance of regenerative medicine materials and their effect in medical applications, as they can enable more precise material preparation and enhanced performance stability, thereby laying a solid foundation for the large-scale clinical application of regenerative medicine materials.

We have been strategically constantly exploring the R&D, formulation and industrialization of regenerative medicine materials, including polymer materials and regenerative biomaterials, such as ECM and dECM, among others. We have also developed critical technologies to tackle the technological difficulties in the clinical application of the regenerative medicine materials, including those for the R&D, modification, and preparation of polymer materials and bio-regenerative materials, and the R&D and preparation of microsphere. As a result, we have successfully transformed our know-how and expertise and critical key technology in regenerative medicine materials into our robust product pipeline with a number of regenerative medicine medical devices product candidates.

Leveraging our know-how and expertise and technological advancement accumulated over the past decade, we have developed two major product lines for regenerative medicine medical device: (i) regenerative medicine material-based injectables, including a total of 13 product candidates regulated as Class III medical devices under the registration review or in clinical or preclinical stage as of the Latest Practicable Date, including our Core Product, XH301; and (ii) regenerative medicine material-based medical dressings and patches, including seven medical dressing products that had been approved and registered as Class II medical devices and one patch product regulated as a Class III medical device in pre-clinical stage as of the Latest Practicable Date. We are confident that our regenerative medicine medical devices have unique advantages based on the clinical or pre-clinical results. For instance, in a multi-center clinical trial covering 252 subjects, XH301 was demonstrated to be superior to the imported hyaluronic acid control product in terms of efficacy, with no significant difference in safety. Driven by the rapidly growing market of regenerative medicine material-based injectables, based on our self-developed polymer microsphere and decellularized matrix serialized biomaterial technology platform, we have systematically planned our R&D pipeline focusing on regenerative medicine to seize the unmet medical needs in the market. According to the R&D progress of our product candidates, we expect to launch XH301 and XH305 in China in 2025, and continue to launch new injectable products in the next three years. We will continue to collaborate with industry-leading and reputable business partners, in the form of strategic collaboration, licensing or otherwise, to establish compliant and well-managed sales channel and to quickly launch our approved products to better commercialize our products. We believe that we are able to quickly seize the tremendous opportunities in the regenerative medicine market, benefiting from our robust product portfolio, strategic product positioning, industry-leading R&D capabilities and formulation technologies, excellent product safety and effectiveness, and prudent commercialization strategy.

While deepening our research in the field of regenerative medicine medical devices, we have been concurrently developing our capabilities in the R&D, manufacturing and commercialization of our FSMPs product line since our inception. We have well perceived the significance of the FSMPs in improving the clinical treatment outcomes of patients and reducing the national healthcare burden. Leveraging our core technology in the industrial production of high energy

density emulsions, we have achieved multiple technological breakthroughs, such as the development of specific complete nutritional emulsions for specific patients. We obtained our first registration certificate for FSMP in 2021, and is one of the first market players that has obtained marketing approval of FSMPs for individuals over one year old in China, according to Frost & Sullivan. As of the Latest Practicable Date, we had (i) two approved and commercialized FSMP products, and (ii) seven FSMP product candidates in application or R&D stages, including three nutritionally complete formula food product candidates for specific patients.

Continuous R&D and innovation capabilities have been the backbone of our success and business growth. Our continuous R&D efforts made by our R&D team members who have in-depth technological knowledge and extensive experience have contributed to the successful development of our key technologies and products. With the goal of further improving product safety and efficiency and enhancing quality control, we have accumulated rich expertise and proprietary technologies in the R&D, modification and preparation of polymer materials and regenerative biomaterials, the R&D and preparation of microsphere, and the industrial production of high energy density emulsions. Our R&D team aims to build comprehensive platforms covering the product development, raw material development, pilot transformation, performance evaluation and regulatory registration to roll out our products and together with our production and commercialization teams, to build a complete industry chain for our products.

In addition to R&D capabilities to develop new products adapting to market demand, commercial-scaled manufacturing capability is also a key competitive strength for us to stand out in the competitive regenerative medicine medical device and FSMP industries. Our existing manufacturing facility in Shuyang, Jiangsu ("**Shuyang Manufacturing Facility**") is designed with reference to China's GMP standards, EU MDR standards and U.S. FDA standards for medical devices and National Food Safety Standard (GB 29923-2023) for FSMPs, and is equipped with a production workshop for regenerative medicine medical devices, with a combined annual production capacity of up to 10 million doses. It was one of the largest production line for regenerative medicine materials in China as of the Latest Practicable Date, according to Frost & Sullivan. We have customized and developed a series of proprietary production equipment at our Shuyang Manufacturing Facility, and are one of the leaders in the formulation process in China, according to the same source. We have two major production lines customized for liquids, including emulsions, for the FSMP workshop at our Shuyang Manufacturing Facility. As of the Latest Practicable Date, we had commenced production for two liquid production line and commissioning for one emulsion production line, and achieved the industrial transformation for both acidic and neutral emulsion systems. In addition, our microfluidic production line at our Shuyang Manufacturing Facility is expected to commence operation in late May 2025, and therefore we are expected to become one of the first Chinese companies that have commenced operation of a microfluidic production line in China according to Frost & Sullivan. Furthermore, to support the upstream of the regenerative medicine medical device industry chain and to promote

the industrialization of our new products, we are constructing a new production facility located at our Chengdu headquarters, primarily for the production of polymer raw materials, biological raw materials, and bio-based material products.

We are led by a visionary management team with profound industry experience, strong academic background and deep market insights who are able to accurately grasp the pulse of industry development. Our management team has comprehensive skills that complement each other, covering the entire process from early stage R&D, clinical trials, to industrialization and commercialization, ensuring efficient synergy in every step of our business and laying a solid foundation for our long-term development. Moreover, our management team has built up solid collaboration since our founding, which we believe have fostered strong trust, tacit teamwork and stable leadership among our management. This has also natured a long-term common vision enabling us to continuously focus on technological innovation and product quality optimization, providing ongoing momentum for our steady growth.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- Center on R&D and innovation to continuously enhance our cutting-edge technology platforms and develop high-quality products
- Robust product pipeline specifically focused on regenerative medicine medical devices and FSMPs
- Mature and high-standard production capability quality control system to support our long-term development
- Establish commercialization collaborations with well-recognized business partners to establish compliant and well-organized sales channels
- Experienced management team and strong beliefs in long-term business, supported by reputable investors

See "Business — Competitive Strengths."

GROWTH STRATEGIES

We plan to implement the following growth strategies:

- Efficiently and effectively advance the product development process, and explore the potential applications of innovative products
- Continuously innovate technologies to stay at the forefront of industry trends and enhance our core competitive advantage
- Enhance our manufacturing facilities and continue to promote innovation in industrialization capabilities
- Explore commercialization collaboration and globalization opportunities to access new markets when appropriate

See "Business — Growth Strategies."

OUR PRODUCT PORTFOLIO

As of the Latest Practicable Date, our product portfolio primarily consists of regenerative medicine medical devices and foods for special medical purposes (FSMPs).

As of the Latest Practicable Date, our product line of regenerative medicine medical devices mainly included: (i) regenerative medicine material-based injectables, primarily including 13 product candidates regulated as Class III medical devices in China, and (ii) regenerative medicine material-based medical dressings and patches, including seven products regulated as Class II medical devices in China and one product candidate under development regulated as Class III medical device in China as of the Latest Practicable Date. In 2023 and 2024, we did not generate any revenue from our regenerative medicine material-based injectable product candidates. We generated revenue from sales of regenerative medicine material-based medical dressings and patches in 2023 and 2024 of RMB3.6 million and RMB3.6 million, respectively, representing 27.9% and 24.9% of our revenue in the same periods, respectively.

For our FSMP product line, we have launched two non-nutritionally complete formula food products, and had seven product candidates in pipeline as of the Latest Practicable Date, including three specific nutritionally complete formula foods which are the focus of our FSMP product line in the near future. In 2023 and 2024, we recorded revenue from the sales of our FSMP products of RMB1.2 million and RMB1.8 million, respectively, representing 9.3% and 12.2% of our revenue in the respective year.

With our robust and comprehensive product portfolio, we aim to become a leader in the regenerative medicine medical device industry and a pioneer in the FSMP industry in China. We also expect to expand our global footprint by having been preparing to apply for CE Marking certification in the EU for XH301 in 2025.

XH301 — Our Core Product

XH301 is a regenerative medicine material injectable product comprising PLLA and CMC designed for the treatment of nasolabial fold, developed and produced with our industry-leading polymer microsphere technology. In a multicenter clinical trial involving 252 subjects, XH301 was demonstrated to be superior to the imported hyaluronic acid control product in terms of efficacy, with no significant difference in safety.

During the Track Record Period, we successfully completed the preclinical studies and clinical trial of XH301. We submitted a registration application to NMPA for XH301 for the treatment of nasolabial fold in November 2024, and we expect to complete the registration with NMPA in the early second half of 2025 and initiate its commercialization in China afterwards. As the first step of our global expansion initiatives to expand from the China market, we are preparing to submit an application for the CE Marking certification in the EU for XH301 in 2025, including performance testing under EU guidelines. XH301 is a Core Product as defined under Chapter 18A of the Listing Rules. In addition, we have licensed-out and plan to continue to explore opportunities to license-out the commercialization rights of XH301 to well-recognized business partners. See "Business — License-out and Collaboration Arrangements."

See "Business — Our Product Portfolio" for our other products for a comprehensive introduction of our product portfolio.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR CORE PRODUCT, OR ANY OF OUR PRODUCT CANDIDATES.

Our Market Opportunities

The market for regenerative medicine medical device has experienced rapid growth and is expected to continue the growth trend, as a result of the expanding market and the continuous innovation of products. In particular, the size of the market for regenerative medicine material-based injectables in China increased from RMB0.2 billion in 2019 to RMB2.9 billion in 2023, representing a CAGR of 96.6%, and is expected to reach RMB18.5 billion in 2032, representing a CAGR of 21.5% from 2024 to 2032. The size of the market for regenerative

medicine material-based medical dressings and patches in China increased from RMB1.5 billion in 2019 to RMB2.5 billion in 2023, representing a CAGR of 13.2%, and is expected to reach RMB7.0 billion in 2032, representing a CAGR of 12.3% from 2024 to 2032.

In addition, the FSMP market in China has experienced high growth and is expected to continue to grow steadily. The FSMP market increased from RMB2.7 billion in 2019 to RMB6.0 billion in 2023, representing a CAGR of 17.2%, and is expected to reach RMB23.8 billion in 2032, representing a CAGR of 15.9% from 2024 to 2032.

As a leader in both the regenerative medicine medical device industry and the FSMP industry, we believe our first mover advantage will enable us to capture the tremendous opportunities in the markets.

OUR LICENSE-OUT AND COLLABORATION ARRANGEMENTS

From time to time, we may license out our products to well-recognized market players in the regenerative medicine material industry to expand our sales and grow our business. During the Track Record Period, we entered into three exclusive license-out agreements with an affiliate of a Hong Kong-listed leading pharmaceutical company for the promotion, sales and commercialization three of our products, including XH301 in China, Hong Kong, Macau and Taiwan. In addition, we entered into a strategic collaboration agreement with a subsidiary of So-Young International, which granted them the right to promote, sell and commercialize two of our products in China, Hong Kong, Macau and Taiwan. See "Business — Our License-out and Collaboration Arrangements" for further information on our collaboration with our business partners.

OUR CUSTOMERS AND SUPPLIERS

Major Customers

During the Track Record Period, we generated revenue primarily from sales of our commercialized products and provision of R&D services. Our customers primarily include medical institutions, trading companies and distributors. Revenue generated from each of our largest customer in 2023 and 2024 accounted for 32.8% and 18.6% of our total revenue in the same periods, respectively. Revenue generated from our five largest customers in 2023 and 2024 accounted for 55.6% and 52.6% of our total revenue in the same periods, respectively.

To the best knowledge of our Directors, each of our five largest customers for each period during the Track Record Period is an Independent Third Party. In addition, to the best knowledge of our Directors, there was no other past or present relationships (including financing, trust or otherwise) between us and each of our five largest customers, their respective substantial

shareholders, directors or senior management, or any of their respective associates during the Track Record Period. As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

Major Suppliers

Our suppliers primarily include CROs, medical equipment, construction and engineering service suppliers. Purchase from our largest supplier in 2023 and 2024, respectively, accounted for 11.4% and 15.2%, respectively, of our total purchase in the same periods, respectively. Purchases from our five largest suppliers in 2023 and 2024, respectively, accounted for 43.9% and 42.1% of our total purchases in the same periods, respectively.

To the best knowledge of our Directors, each of our five largest suppliers for each year during the Track Record Period is an Independent Third Party. In addition, to the best knowledge of our Directors, there was no other past or present relationships (including financing, trust or otherwise) between us and each of our five largest suppliers, their respective substantial shareholders, directors or senior management, or any of their respective associates during the Track Record Period. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

Sales Channels

We sell our products through both direct sales and distribution. The table below sets out a breakdown of our total revenue by sales channels for the periods indicated:

	Year ended December 31,			
	2023		2024	
	RMB'000	*%*	*RMB'000*	*%*
Direct sales	8,793	68.2	10,450	72.0
Distribution	4,089	31.8	4,070	28.0
Total	**12,882**	**100.0**	**14,520**	**100.0**

As of December 31, 2023 and 2024, we had 212 and 191 direct sales customers, respectively, most of whom were trading companies. Among our direct sales customers, we sold our products to trading companies which may resell our products to other companies, medication institutions or not.

We also sell through distributorship due to their wide customer network, which is an industry norm in the regenerative medicine material industry, according to Frost & Sullivan. As of December 31, 2023 and 2024, we had 9 and 9 distributors, respectively.

MANUFACTURING

We consider our manufacturing capacity and capabilities as one of our key competitive strengths to stand out in our industry. We have one in-house manufacturing facility located in Shuyang county, Jiangsu Province, China, is designed with reference to China's GMP standards for medical devices, EU MDR standards, U.S. FDA standards for medical devices and National Food Safety Standard (GB 29923-2023) for FSMPs. We are constructing phase I of a new manufacturing facility in Chengdu, Sichuan Province, China, followed by a phase II construction plan. See "Business — Manufacturing."

RESEARCH AND DEVELOPMENT

Since our inception, we have always considered our R&D capabilities as the backbone of our business and key driver of our growth. Our continuous in-house R&D efforts made by our R&D team members who have in-depth technological knowledge and extensive experience have contributed to the successful development of our key technologies, including the R&D, modification and preparation technology of polymer materials, regenerative biomaterial technology, microsphere R&D and preparation technology and high energy density emulsion industrialization technology. Our R&D team aims to build comprehensively platforms covering the product development, raw material development, pilot transformation, performance evaluation and regulatory registration to roll out our products, and to collaborate with our manufacturing/industrialization arm to build a complete industry chain for our products.

For the years ended December 31, 2023 and 2024, we incurred R&D costs of RMB45.7 million and RMB45.0 million, respectively, which were charged to the profit and loss account. In 2023 and 2024, R&D costs of RMB5.6 million and RMB7.0 million were attributable to our Core Product, respectively, accounting for 8.8% and 10.0% of our total operating expenses (consisting of research and development costs, selling and distribution expenses and administrative expenses) in the same periods, respectively. See "Business — Research and Development."

COMMERCIALIZATION

We have successfully commercialized seven regenerative medicine material-based medical dressing products and two FSMP products since our inception. We sell these products to trading companies, distributors and medical institutions and typically receive one-off payments. In particular, the sales volume of Xi Qin (西沁) products amounted to approximately 200 thousand

bottles and approximately 300 thousand bottles in 2023 and 2024, respectively, with a growth rate of more than 50%. According to Frost & Sullivan, it ranked top three in terms of sales volume in the market of liquid-based carbohydrate component formula products for FSMPs in China in 2024.

Commercialization Plan of Product Candidates

For our regenerative medicine material-based injectables in pipeline, we expect to leverage the resources of our reputable business partners, including their existing sales channels and strong marketing capabilities and wide coverage, to accomplish a quick market entrance and customer awareness of our products while securing return of our investments in the R&D in the form of license fees. In the future, we plan to expand our in-house sales team and enhance our in-house sales force and service capabilities to roll out new products, expand our business, increase our brand awareness and boost our revenue. We will closely monitor the performance of our business partners and our in-house sales force so as to promptly adjust the sales and marketing strategies as appropriate.

In addition, except for our licensing-out of XH301 and other strategic collaborations, we plan to continue to explore opportunities to license-out the commercialization rights of XH301 and other products to well-recognized business partners. See "Business — License-out and Collaboration Arrangements."

COMPETITION

We face potential competition from many different sources both globally and locally in the regenerative medicine medical device and FSMP industries, which are highly-competitive and characterized by rapid changes from technological advances and scientific discoveries. These markets are also subject to overall changes in by relevant regulatory authorities globally and in China. We have faced, and may continue to face, competition mainly from international and domestic manufacturers of regenerative medicine medical device and FSMP companies in areas in which we primarily operate, conduct R&D in and seek future expansion. See "Industry Overview" for more details of the competitive landscape of each relevant market regarding our Core Product, product candidates and commercialized products.

INTELLECTUAL PROPERTY

Intellectual property rights are the basis for the success of our business, and we are committed to the development and protection of our intellectual property. Our success depends in part on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how. Our success also

depends in part on our ability to defend and enforce our patents, preserve the confidentiality of our trade secrets and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

As of the Latest Practicable Date, we had registered 278 trademarks, 41 patents (including 24 core invention patents associated with our Core Product) in China. As of the same date, we also had 32 patent applications pending in China.

As of the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent. See "Business — Intellectual Property."

RISK FACTORS

Our operations involve certain risks and uncertainties, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to the R&D of our product candidates, (ii) risks relating to regulatory approval and government regulations, (iii) risks relating to manufacturing of our product candidates, (iv) risks relating to commercialization of our product candidates, (v) risks relating to our intellectual property rights, (vi) risks relating to our operations, (vii) risks relating to our relationships with certain third parties, (viii) risks relating to our financial position and need for additional capital, and (ix) risks relating to the **[REDACTED]**.

Some of the major risks we face include, but are not limited to:

- Our business and financial prospects depend substantially on the success of our clinical stage and preclinical stage product candidates. If we are unable to successfully complete their clinical development, obtain their regulatory approvals and achieve their commercialization, or if we experience significant delays in doing any of the foregoing, while we have invested and will continue to invest significant resources in the development of our product candidates, our business will be materially impacted.

- Clinical development of medical device and clinical studies of FSMPs involve a lengthy and expensive process with uncertain outcomes, and we may encounter unexpected difficulties executing our clinical trials and commercializing our product candidates on a timely basis.

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

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

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

- Results of preclinical studies may not be predictive of future trial or evaluation results.

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

- The data and information that we gather in our research and development process could be inaccurate or incomplete, which could harm our business, reputation, financial condition and results of operations.

See "Risk Factors."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this document. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the Accountants' Report set out in Appendix I to this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS Accounting Standards.

Summary of Consolidated Statements of Profit or Loss

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

	Year ended December 31,	
	2023	2024
	(RMB in thousands)	
Revenue	**12,882**	**14,520**
Cost of sales	(11,415)	(14,141)
Gross profit	**1,467**	**379**
Other income and gains	660	2,277
Selling and distribution expenses	(10,346)	(9,149)
Research and development costs	(45,726)	(44,950)
Administrative expenses	(7,625)	(16,239)
Impairment on financial assets	(557)	(67)
Other expenses	(121)	(65)
Finance costs	(1,253)	(1,584)
Loss before tax	(63,501)	(69,398)
Income tax credit	—	15
Loss and total comprehensive loss for the year	(63,501)	(69,383)
Loss and total comprehensive loss attributable to:		
Owners of the parent	(63,501)	(69,383)
Non-controlling interests	—	—
	(63,501)	(69,383)

In 2023 and 2024, we recorded revenue amounted to RMB12.9 million and RMB14.5 million, respectively, which was primarily derived from sales of regenerative medicine material medical dressings and patches, FSMPs and other products. We also generated revenue from provision of research, consulting and testing services in relation to the development of medical device products from time-to-time on a project basis. We recorded net losses of RMB63.5 million and RMB69.4 million in 2023 and 2024, respectively. Substantially all of our net losses resulted from research and development expenses, selling and distribution expenses and administrative expenses. For a detailed discussion, see "Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss" and "Financial Information — Results of Operations".

Summary of Consolidated Statements of Financial Position

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

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Total non-current assets	93,460	109,260
Total current assets	55,455	49,467
Total current liabilities	92,506	192,665
Net current liabilities	37,051	143,198
Total assets less current liabilities	56,409	(33,938)
Total non-current liabilities	24,108	3,144
Net assets/(liabilities)	32,301	(37,082)

Our net current liabilities increased significantly from RMB37.1 million as of December 31, 2023 to RMB143.2 million as of December 31, 2024, primarily due to a significant increase in our current liabilities. The increase in current liabilities was mainly due to an increase in our other payables and accruals related to license fee payments we received from our business partners. Such balance will be recognized as revenue as we reached the milestones as stipulated in the relevant license-out agreements. See "Business-Our License-out and Collaboration Arrangements" for details.

We recorded net assets of RMB32.3 million as of December 31, 2023 and net liabilities of RMB37.1 million as of December 31, 2024, primarily attributable to our total comprehensive loss for the year.

Summary of Consolidated Statement of Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,	
	2023	**2024**
	(RMB in thousands)	
Net cash flows (used in)/from operating activities	(86)	1,587
Net cash flows used in investing activities	(58,113)	(8,769)
Net cash flows from financing activities	71,030	22,965
Net increase in cash and cash equivalents	12,831	15,783
Cash and cash equivalents at the beginning of the year	4,583	17,414
Cash and cash equivalents at the end of the year	**17,414**	**33,197**

See "Financial Information — Liquidity and Capital Resources — Cash Flows" for details.

Our cash burn rate refers to our average monthly (i) net cash used in operating activities, which includes research and development costs and administrative expenses, and (ii) capital expenditures. Taking into account our cash and cash equivalents, consideration from Series A Financing, and assuming average monthly net cash used in operating activities and capital expenditures going forward of three times the average level in 2023 and 2024, we estimate we will be able to maintain our financial viability for 16 months from the date of this document without considering proceeds from the **[REDACTED]**; or, if we also take into account the net proceeds from **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the **[REDACTED]** of the indicative **[REDACTED]**), 83 months from the date of this document. Our Directors and our management team will continue to monitor our working capital, cash flows and our business development status.

We currently have no immediate plan for future financing after the **[REDACTED]** taking into account our available cash, proceeds from the **[REDACTED]** and based on our cash burn rate. However, with the continuing expansion of our business and development of our products, we could not exclude the possibility to require further funding through public or private equity offerings, debt financing and other sources. We will comply with applicable laws and regulations, including requirements under the Listing Rules, when we proceed with such financings.

Key Financial Ratio

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

	As of December 31,	
	2023	2024
Current ratio[(1)] *(times)*	0.6	0.3

Note:

(1) Current ratio equals total current assets divided by total current liabilities.

See "Financial Information — Key Financial Ratio" for details.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date and immediately following the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**), Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei, by virtue of the Concert Party Agreement entered into among them and together with Ningbo Qianxi, will hold in aggregate approximately 46.27% and **[REDACTED]**% of our Company's total issued share capital, respectively. See "History, Development and Corporate Structure — Concert Party Arrangements" for details of the concert party arrangements. Ningbo Qianxi is a limited partnership established under the laws of the PRC with Mr. Zhang Xinming as its general partner. As such, Mr. Zhang Xinming was entitled to exercise the voting rights attaching to the Shares held by Ningbo Qianxi. Accordingly, Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei and Ningbo Qianxi constitute a group of Controlling Shareholders under the Listing Rules upon **[REDACTED]**.

[REDACTED] INVESTMENTS

We have concluded several rounds of **[REDACTED]** Investments and raised a total of RMB197.0 million. According to the PRC Company Law, all current Shareholders (including the **[REDACTED]** Investors) are subject to a lock-up period of 12 months following the **[REDACTED]**. We have a broad and diverse base of **[REDACTED]** Investors. Among our **[REDACTED]** Investors, each of Beijing Sun-Novo Pharmaceutical Research Co., Ltd. (北京陽光諾和藥物研究股份有限公司) ("**Beijing Sun-Novo**") and China Medical System Holdings Ltd. ("**China Medical System**") is a Sophisticated Investor who has made meaningful investment in our Company in accordance with Chapter 2.3 of the Guide. Upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Beijing Sun-Novo and China Medical System through its indirect wholly-owned subsidiary Hainan Kangzhe Venture Capital Co.

Ltd. (海南省康哲創業投資有限公 司) ("**Kangzhe VC**"), will be interested in approximately **[REDACTED]**% and **[REDACTED]**% of the total issued share capital of our Company. See "History, Development and Corporate Structure — **[REDACTED]** Investments" for further details.

CONNECTED TRANSACTION

We have entered into, and are expected to continue to engage in certain transactions which will constitute a non-exempt continuing connected transaction of our Company under the Listing Rules upon the **[REDACTED]**. See "Connected Transaction" for further details.

DIVIDENDS

We did not declare or pay any dividend during the Track Record Period. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business. Investors should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the discretion of our Directors, subject to Shareholders' approval, and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China. As a result, we may not have sufficient or any distributable profits to make dividend contributions to our Shareholders, even if we become profitable. Our Company is a joint stock company incorporated in the People's Republic of China with limited liability. The payment and amount of any future dividend depend on the availability of dividends received from our subsidiaries.

RECENT DEVELOPMENTS

As of the Latest Practicable Date, we were negotiating a license and supply agreement (the "**License-out and Supply Agreement**") with a pharmaceutical solutions company based in Singapore concerning our PLLA- and PCL-related products with specific ingredients inclusive of product line extensions for future indications (the "**Products**"). By signing this License-out and Supply Agreement, we expect to grant to this business partner a royalty-bearing license, to register and commercialize the Product(s) in various countries and regions in Southeast Asia. In addition, we plan to authorize this business partner to apply for any required regulatory registration of our Products on our behalf in the relevant countries or regions in Southeast Asia, so that our Products can be successfully commercialized in such country or region.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since December 31, 2024 (being the date of our latest audited financial statements) and there has been no event since December 31, 2024 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

[REDACTED] STATISTICS

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

	Based on an [REDACTED] of HK$[REDACTED] per H Share	**Based on an [REDACTED] of HK$[REDACTED] per H Share**
[REDACTED] of our Shares[(1)]	HK$**[REDACTED]** million	HK$**[REDACTED]** million
Unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share[(2)]	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

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

(2) The unaudited pro form adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share has been arrived at after adjustments referred to in Appendix II and on the basis that **[REDACTED]** Shares are in issue assuming the **[REDACTED]** had been completed on December 31, 2024, without taking into account any Shares which may be allotted and issued upon the exercise of the **[REDACTED]**.

[REDACTED] EXPENSES

Based on the **[REDACTED]** of the indicative **[REDACTED]** range and assuming the **[REDACTED]** is not exercised, we estimate that our **[REDACTED]** expenses will be approximately HK$**[REDACTED]** million, which constitute approximately **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**. Our total **[REDACTED]** expenses consist of (i) **[REDACTED]**-related fees and expenses (including **[REDACTED]**, Stock Exchange trading fee, and SFC transaction levy and AFRC transaction levy) of HK$**[REDACTED]** million; and (ii) non-**[REDACTED]**-related expenses of HK$**[REDACTED]** million, including (a) fees payable to the Sole Sponsor, legal advisors and Reporting Accountants of HK$**[REDACTED]** million and (b) other fees and expenses of HK$**[REDACTED]** million. During the Track

Record Period, we incurred **[REDACTED]** expenses of RMB**[REDACTED]** million, all of which was recognized in our consolidated statements of profit or loss in 2024. As of December 31, 2024, we recorded RMB0.3 million as deferred **[REDACTED]** expenses under other receivables, deposits and prepayments in our consolidated statements of financial position, to be accounted for as a deduction from equity upon the **[REDACTED]**. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such expenses to materially impact our results of operations in 2025.

[REDACTED]

We estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** million after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]** assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** set out in this document. We intend to use the net proceeds from the **[REDACTED]** for the following purposes in the next two years:

(1) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to the development and registration of our Core Product, XH301;

(2) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to the development and registration of our other regenerative medicine material injectable product candidates and one of our regenerative medicine material dressing and patch product candidates;

(3) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated for the development and registration of our FSMP product candidates; and

(4) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be used for working capital and other general corporate purposes.

See "Future Plans and **[REDACTED]**."

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 the section headed "Glossary of Technical Terms" in this document.

"2024 Restricted Share Scheme"	the restricted share scheme approved and adopted by our Company on February 17, 2025, a summary of the principal terms of which is set forth in "Appendix VII — Statutory and General Information — D. 2024 Restricted Share Scheme";
"Accountants' Report"	the Accountants' Report for the years ended December 31, 2023 and 2024 prepared by Ernst & Young, the text of which is set out in Appendix I to this document;
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person;
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong;
"Articles of Association" or "Articles"	the articles of association of our Company adopted on May 6, 2025 which shall become effective as of the date on which the H Shares are **[REDACTED]** on the Stock Exchange, as amended from time to time, a summary of which is set out in "Appendix VI — Summary of Articles of Association" to this document;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the audit committee of our Board;
"Board" or "Board of Directors"	the board of Directors;
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong;

"CAGR"	compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result;
	[REDACTED]
"China" or "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan;
"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;
"Company" or "our Company"	Eastenova (Chengdu) Biotechnology Co., Ltd. (東方妍美(成都)生物技術有限公司), a limited liability company established in the PRC on May 23, 2023 which was converted into a joint stock company with limited liability and renamed as Eastenova (Chengdu) Biotechnology Co., Ltd. (東方妍美(成都)生物技術股份有限公司) on December 24, 2024;
"Company Law" or "PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time;

"Concert Party Agreement"	the acting in concert agreement dated April 29, 2025 entered into by and among Mr. Zhang Xinming, Dr. Fu Jie, Mr. Tang Haiwei and our Company, details of which are set out in "History, Development and Corporate Structure" in this document;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Mr. Zhang Xinming, Dr. Fu Jie, Mr. Tang Haiwei and Ningbo Qianxi, 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;
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus;
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules and in this context, refers to XH301;
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會);
	[REDACTED]
"Director(s)"	the director(s) of our Company;
"Dr. Fu" or "Dr. Fu Jie"	Dr. Fu Jie (付劼), our executive Director, vice president of our Company, one of our promoters and one of our Controlling Shareholders;
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time;

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below;
"FDA"	the U.S. Food and Drug Administration;
	[REDACTED]
"Frost & Sullivan" or "Industry Consultant"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an Independent Third Party, and a market research firm engaged by our Company to prepare an industry report, the details of which are set out in "Industry Overview";
"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this document;
"General Rules of HKSCC"	General Rules of HKSCC published by the Stock Exchange and as amended from time to time;
	[REDACTED]
"Group," "our Group," "our," "we" or "us"	our Company and all of 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;

"H Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB[0.50] each, to be subscribed for and **[REDACTED]** in Hong Kong dollars and to be **[REDACTED]** on the Hong Kong Stock Exchange;
	[REDACTED]
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKICPA"	the Hong Kong Institute of Certified Public Accountants;
	[REDACTED]
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;

[REDACTED]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited;

[REDACTED]

"IAS"	International Accounting Standards;
"IFRS"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board;
"Independent Third Party(ies)"	an individual or a company, who or which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules;

[REDACTED]

"Jiangsu Hongjun"	Jiangsu Hongjun Pharmaceutical Technology Co., Ltd. (江蘇宏浚醫藥科技有限公司), a company established in the PRC with limited liability on January 28, 2019 and an indirect wholly-owned subsidiary of our Company;
"Jiangsu Xihong"	Jiangsu Xihong Biopharmaceutical Co., Ltd. (江蘇西宏生物醫藥有限公司), a company established in the PRC with limited liability on December 22, 2016 and a direct wholly-owned subsidiary of our Company;
"Latest Practicable Date"	May 5, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication;

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange;
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部);
"Mr. Tang" or "Mr. Tang Haiwei"	Mr. Tang Haiwen (唐海威), our executive Director, vice president of our Company, one of our promoters and one of our Controlling Shareholders;
"Mr. Zhang" or "Mr. Zhang Xinming"	Mr. Zhang Xinming (張新明), our executive Director, chairman of our Board, general manager and president of our Company, one of our promoters and one of our Controlling Shareholders;
"Ningbo Qianhui"	Ningbo Qianhui Enterprise Management Partnership (Limited Partnership) (寧波乾暉企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on December 4, 2024, and an employee incentive platform of our Group;
"Ningbo Qianxi"	Ningbo Qianxi Enterprise Management Partnership (Limited Partnership) (寧波乾禧企業管理合夥企業(有限合夥)), a established under the laws of the PRC on August 18, 2021 and a member of our Controlling Shareholders, which is held as to approximately 3.62% by Mr. Zhang Xinming as its general partner and approximately 96.38% by nine Independent Third Parties as its limited partners;

"NMPA"	the National Medical Products Administration of the PRC (中華人民共和國國家藥品監督管理局);
"Nomination Committee"	the nomination committee of our Board;

[REDACTED]

"Overseas Listing Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines promulgated by the CSRC on February 17, 2023 and effective on March 31, 2023;
"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"	Zhong Lun Law Firm, our legal advisors to our Company as to 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, Development and Corporate Structure — **[REDACTED]** Investments" in this document;
"**[REDACTED]** Investor(s)"	the investor(s) of the **[REDACTED]** Investments;

[REDACTED]

"document"	this document being issued in connection with the **[REDACTED]**;
"R&D"	research and development;
"Regulation S"	Regulation S under the U.S. Securities Act;
"Remuneration Committee"	the remuneration committee of our Board;
"Renminbi" or "RMB"	the lawful currency of the PRC;
"Reporting Accountants"	Ernst & Young, the reporting accountants of our Company;
"Runmei Time"	Runmei Time (Beijing) Biotechnology Co., Ltd. (潤美時光(北京)生物科技有限公司) (formerly known as Beijing Xihong Runmei Pharmaceutical Technology Co., Ltd. (北京西宏潤美醫藥科技有限公司)), a company established in the PRC with limited liability on June 25, 2019, and a direct wholly-owned subsidiary of our Company;
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);

"SAMR"	the State Administration for Market Regulation of the PRC (中國國家市場監督管理總局);
"SCNPC"	the Standing Committee of the NPC;
"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;
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB[0.50] each upon the completion of the Share Subdivision and the **[REDACTED]**, comprising **[REDACTED]** Share(s) and H Share(s); before the completion of the Share Subdivision, ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each;
"Shareholder(s)"	holder(s) of our Share(s);
"Share Subdivision"	the Share Subdivision immediately prior to the **[REDACTED]**, pursuant to which each of our Share with par value of RMB1.00 will be subdivided into [two] Shares with par value of RMB[0.50] each;

[REDACTED]

"Sole Sponsor"	CCB International Capital Limited;

"Sophisticated Investor(s)"	has the meaning ascribed to it under Chapter 2.3 of the Guide;
	[REDACTED]
"sq.m."	square meters;
	[REDACTED]
"State Council"	the State Council of the PRC (中華人民共和國國務院);
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance;
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Supervisor(s)"	the supervisor(s) of our Company;
"Supervisory Committee"	the supervisory committee of our Company;
"Suqian Yanmei"	Suqian Yuanmei Biotechnology Co., Ltd. (宿遷研美生物科技有限公司), a company established in the PRC with limited liability on November 18, 2016 and an indirect wholly-owned subsidiary of our Company;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time;
"Track Record Period"	the years ended December 31, 2023 and 2024;
	[REDACTED]

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
"U.S. dollar(s)" or "US$"	United States dollar(s), the lawful currency of the United States;
"U.S. persons"	U.S. persons as defined in Regulation S;
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time;
"VAT"	the PRC value-added tax;
"we", "us" or "our"	the Company or the Group, as the context requires;

[REDACTED]

"%"	per cent.

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the **[REDACTED]** *assume that the* **[REDACTED]** *is not exercised.*

Unless the content otherwise requires, references to "2023" and "2024" in this document refer to our financial year ended December 31 of such year.

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

DEFINITIONS AND ACRONYMS

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.

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

GLOSSARY OF TECHNICAL TERMS

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

"biocompatibility"	the ability of a material to perform with an appropriate host response in a specific application;
"Class I medical device"	medical devices with a low level of risk, for which routine management ensures safety and effectiveness;
"Class II medical device"	medical devices with moderate risk that require strict control and management to ensure their safety and efficacy;
"Class III medical device"	medical devices with high risk that require special measures to ensure their safety and effectiveness;
"CE Marking" or "CE"	Conformite Europeenne, an administrative marking that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area (EEA);
"CI"	confidence interval for incidence rate;
"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis;
"CMC"	carboxymethyl cellulose, a water-soluble cellulose ether produced by the partial substitution of the cellulose hydroxyl groups with ionic hydrophilic moieties;
"cross-linking"	the formation of chemical links between molecular chains to form a three-dimensional network of connected molecule;
"epidermis"	the outermost layer of the skin;

"dermis"	the layer of the skin between the epidermis and subcutaneous tissue;
"FDA"	the U.S. Food and Drug Administration, a federal agency responsible for safety, security, and efficacy of medical devices, drugs, biological products, food supply, cosmetics, and other public health-related products in the United States;
"GMP"	Good Manufacturing Practice, which refers to the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification;
"hyaluronic acid" or "HA"	a polymer mucopolysaccharide composed of N-acetylglucosamine and D-glucuronic acid, which is widely distributed in the vitreous body, joints, umbilical cord, skin, and other parts of human bodies. As one of the main components of human epidermis and dermis, it can increase hydration in the skin by binding water to collagen and trapping it in the skin, making the skin appear plumper, dewier, and more moisturized;
"HAp"	hydroxyapatite;
"injectable"	contains materials that can be injected into human bodies;
"L-carnosine"	a protein building block that is naturally produced in human bodies and can be used to prevent signs of aging, effectively repair the damage caused by free radicals, and treat many other conditions;
"lidocaine"	a local anesthetic of the amino amide type which can relieve pain in superficial procedures;
"MDR"	Medical Devices Regulation of the EU;
"microsphere"	microspheres are small spherical particles that are made out of polymers and are used in drug delivery applications due to its high surface area and low particle size;

"nasal"	relating to the nose;
"nasolabial"	an anatomic region located between the lateral ala nasi and the lateral commissure of upper lip;
"NDA"	New Drug Application, the formal application to the medical product regulator for approval of a new medical product for sale and marketing;
"PCL"	polycaprolactones, a synthetic thermoplastic polyester used in biomedical applications including sutures and drug delivery devices;
"PEG"	polyethylene glycol, the polymer of ethylene glycol and a compound that is widely used in pharmaceuticals as thickeners, solvents, softeners, and moisture-carriers;
"PLA"	polylactic acid, a biodegradable polymer material which is absorbable, semi-permanent, injectable implant that can restore volume and gradually stimulate collagen formation;
"PLLA"	poly-L-lactic acid, a biodegradable polymer material for making medical devices and pharmaceuticals, especially resorbable medical devices designed to degrade over months in human bodies;
"PMMA"	polymethyl methacrylate;
"sodium hyaluronate"	the sodium salt of hyaluronic acid;
"subcutaneous tissue"	the soft tissue layer under the dermis;
"vial(s)"	injectable filler syringe unit(s).

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "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 products;
- the commercialization of our product candidates;
- the market opportunities and competitive landscape of our products;
- 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 regenerative medicine medical device industry and the FSMP industry in the PRC;
- our financial condition and operating results and performance;
- industry trends and competition;
- 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.

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares. Particularly, we are a Biotech Company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. Our business, financial conditions and results of operation and growth prospects could be materially and adversely affected by any of these risks and uncertainties. The* [REDACTED] *of our H Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

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

Our operations involve certain risks and uncertainties, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to the R&D of our product candidates, (ii) risks relating to regulatory approval and government regulations, (iii) risks relating to manufacturing of our product candidates, (iv) risks relating to commercialization of our product candidates, (v) risks relating to our intellectual property rights, (vi) risks relating to our operations, (vii) risks relating to our relationships with certain third parties, (viii) risks relating to our financial position and need for additional capital, and (ix) 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 R&D OF OUR PRODUCT CANDIDATES

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

Our revenue and profitability are substantially dependent on our ability to complete the development of our product candidates, obtain requisite regulatory approvals and successfully manufacture and commercialize our product candidates. The regenerative medicine industry is constantly evolving and in order to maintain our competitive position, we need to keep up with new technologies and methodologies. We have invested a significant portion of our efforts and capital resources in the development of our product candidates and enhance our technologies. For the years ended December 31, 2023 and 2024, our R&D expenses were RMB45.7 million and RMB45.0 million, respectively.

We expect to incur substantial expenditures for the development and commercialization of our product candidates in the future. However, we cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient or any patent or other intellectual property protection for such new or enhanced products, or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, that those products will achieve market acceptance. The success of our product candidates will depend on several factors, including but not limited to:

- completion of preclinical studies and clinical trials, which are subject to various factors including those out of our control;
- favorable safety and efficacy data from our clinical trials and other studies;
- receipt of regulatory approval;
- establishing sufficient commercial manufacturing capabilities;
- the performance by CROs or other third parties we may retain to conduct clinical trials and preclinical studies of their duties to us in a manner that complies with our protocols and applicable laws without damaging or compromising the integrity of the resulting data;

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

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

- receipt of regulatory approvals from applicable regulatory authorities;

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

- successfully competing with other product candidates; and

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

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

Clinical development of medical device and clinical studies of FSMPs involve a lengthy and expensive process with uncertain outcomes, and we may encounter unexpected difficulties executing our clinical trials and commercializing our product candidates on a timely basis.

With respect to our regenerative medicine material-based injectables product line, as of the Latest Practicable Date, our Core Product and XH305 had gone through clinical trials and were under registration stage, while a number of other product candidates were under clinical trials in China. See "Business — Our Product Portfolio — Our Product Candidates — Regenerative Medicine Medical Devices — Regenerative Medicine Material-based Injectables." The successful completion of clinical trials is an essential requirement to obtain approvals for the registration or commercialization of our product candidates from competent authorities, such as NMPA other comparable regulatory authorities. Clinical trials, however, usually with a large amount of expense, are challenging to plan and carry out, and can take years to finish with no guarantee of success. For instance, it usually takes at least 60 months to develop and register Class III medical devices under the stringent registration and approval requirements in China, according to F&S. Our FSMP products shall also go through a complex registration and approval process, which usually takes 18 to 36 months. Failure can occur at any time or stage during the clinical development process,

which would result in a material and adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you as to when the clinical trials or clinical studies for our product candidates in discovery and preclinical stages will begin, if at all.

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

- regulators or ethics committees may not authorize us to commence a clinical trial or conduct a clinical trial or clinical studies at a prospective trial site, or they may order us to suspend or cease a clinical trial;

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

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

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

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

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

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

- experience a delay in obtaining regulatory approval for our product candidates or not obtain regulatory approval at all;
- obtain approval for proposed indications that are not as broad as intended;
- have the product removed from the market after obtaining regulatory approval;
- be subject to additional post-marketing testing requirements; or
- be subject to restrictions on how the product is distributed or used.

Delays in clinical trials, clinical studies or obtaining regulatory approvals may result in increases in our product development costs. We cannot assure you whether any clinical trials or clinical studies will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant delays in clinical trials or clinical studies could also shorten any periods during which we have the right to commercialize our product candidates or allow our competitors to bring their products to market before we do, which could impair our ability to commercialize our product candidates, grasp our first-mover advantage in the relevant market and may have an adverse effect on our business and results of operations.

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

The regenerative medicine industry and FSMP industry are subject to fierce competition and rapid and significant technological advancements. We face competition with respect to our current product candidates from existing products and product candidates under development in the regenerative medicine industry and FSMP industry. We will also face competition with respect to any product candidates that we may seek to develop or commercialize in the future. Our competitors include major regenerative medicine medical device companies in China and overseas. We are developing our product candidates in competition with a number of companies that have commercialized, are in the process of commercializing, or are pursuing the development of medical devices for the same target indications as ours. Some of these competitive products and therapies are based on scientific approaches that are the same as or similar to our approach, and

others are based on entirely different approaches. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection, and establish collaborative arrangements for research, development, manufacturing, and commercialization.

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

Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors may succeed in developing, acquiring, or licensing products that are more effective or less costly than our product candidates or any future product that we may develop, or achieve earlier patent protection, regulatory approvals, product commercialization, and market penetration than we do. Our competitors also may obtain approval from the NMPA or other regulatory authorities for their products 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 cause us to experience delay in obtaining regulatory approval for our product candidates or render our product candidates obsolete or non-competitive before we can recover the expenses of developing and commercializing any of our product candidates.

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

The timely completion of clinical trials or clinical studies in accordance with protocols depends, among other things, on our ability to enroll a sufficient number of patients in the clinical trials or clinical studies. We may fail or experience significant delays to initiate or continue

clinical trials or clinical studies for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials or evaluations as required by the NMPA or similar regulatory authorities. Even if we are able to enroll a sufficient number of patients in our clinical trials or clinical studies, delays in patient enrollment may result in increased costs or may affect the planned timing or outcome.

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

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

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

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

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

Additionally, any AEs or undesirable side effects caused by our product candidates after they receive regulatory approval may occur. These factors include but are not limited to potential side effects not revealed in clinical trials or clinical studies, unusual but severe side effects in isolated cases, defective products not detected by our quality control system, or misuse of our products by medical practitioners. Some side effects may be perceived to be more unusual or severe. To the extent that our future product candidates cause, or are perceived to cause, side effects, it may lead to potentially significant negative consequences which include, but are not limited to, the following:

- regulatory authorities may withdraw approvals or revoke licenses of our approved product candidates;

- we, or our collaboration partner, as applicable, may have to suspend marketing of our approved product candidates;

- regulatory authorities may require additional warnings on the label of an approved product candidate or impose other limitations on an approved product candidate;

- the NMPA or a comparable regulatory authority may require the establishment of a risk evaluation and mitigation strategy, or other similar plans, which may restrict distribution of our approved product candidates and impose burdensome implementation requirements on us, among other risk mitigation tools;

- stricter and more frequent regulatory inspections of our products and manufacturing facilities;

- we, or our collaboration partner, as applicable, may be required to change the way the product candidate is administered, or conduct post-marketing studies;

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

- our reputation may suffer.

Results of preclinical studies may not be predictive of future trial or evaluation results.

The results of preclinical studies may not be predictive of the success of clinical trials or clinical studies, and favorable initial or interim results of a clinical trial or evaluation do not necessarily predict successful final results. Product candidates in clinical trials or clinical studies may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies. As product candidates are developed through preclinical to clinical trials or clinical studies towards approval and commercialization, it is customary that various aspects of the development programs, such as manufacturing and formulation, are altered along the way in an effort to optimize processes and results. Such changes carry the inherent risks that they may not necessarily achieve the intended objectives.

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

As we have limited financial and managerial resources, we focus our product pipeline on research programs and product candidates that we identify for specific indications or applications, and such decision or strategy is formed based on the best of our knowledge and estimates as of today. However, we cannot exclude the possibility that our spending on current and future R&D programs and product candidates for specific indications or applications may not yield any commercially viable products. We may also deprioritize our pursuit of opportunities with other

product candidates or for other indications or applications, which might later be proven to have greater commercial potential or a greater likelihood of success. Our business expansion or financial position may be adversely impacted in that case.

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

We collect, aggregate, process, and analyze data and information from our preclinical studies and clinical trials or clinical studies. We also engage in substantial information gathering following the identification of a promising product candidate. Because data in the healthcare industry, especially in the R&D process, may be fragmented in origin, inconsistent in format, or incomplete when captured, the overall quality of data collected or accessed in the healthcare industry is often subject to challenge, the degree or amount of data which is unknowingly absent or omitted can be material, and we cannot eliminate the possibility of data issues and errors when monitoring and auditing the quality of our data. If we make mistakes in the capture, input, or analysis of these data, our ability to advance the development of our product candidates may be materially harmed and our business, prospects and reputation may suffer.

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

In addition, we engage CROs and other third parties to perform certain ancillary procedures in our preclinical studies and clinical trials or clinical studies, such as preclinical trials, studies on medical devices, clinical trial or evaluation management, data management and collection and independent imaging evaluation. If any of our CROs or other third parties do not perform to our standards in terms of data accuracy or completeness, such data may be compromised as a result, and our engagement of these parties does not relieve us of our regulatory responsibilities.

We may not be able to identify, discover or develop new product candidates, or to identify or develop new indications or applications for our product candidates, to expand or maintain our product pipeline.

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

Some product candidates are technically challenging to develop and manufacture. We may consider pursuing collaboration with third parties in the discovery and development of potential product candidates, but we cannot assure you that such collaboration will be able to deliver the intended results.

Research programs to identify new product candidates and to develop our product candidates for additional indications require substantial technical, financial and human resources. Our research programs may initially show promising results in identifying potential indications, applications and/or product candidates, yet fail to yield results for clinical development for a number of reasons, including but not limited to the following factors, including, without limitation, the following:

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

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

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

In conducting discovery, development and commercialization of our product candidates, we face potential liabilities, in particular, product liability claims or lawsuits that could cause us to incur substantial liabilities.

We face an inherent risk of product liability as a result of the clinical trials, clinical studies and any future commercialization of our product candidates inside and, potentially, outside China. For example, we may be sued if our product candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in our products, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection laws.

Liability claims may result in decreased demand for our product candidates, injury to our reputation, withdrawal of clinical trial participants and inability to continue clinical trials, initiation of investigations by regulators, costs to defend the related litigation, a diversion of management's time and our resources, substantial monetary awards to trial participants or patients, product recalls, withdrawals, or labeling, marketing or promotional restrictions, loss of revenue, exhaustion of any available insurance and our capital resources, the inability to commercialize any approved product candidate, and a decline in the **[REDACTED]** of our H Shares.

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

RISKS RELATING TO REGULATORY APPROVALS AND GOVERNMENT REGULATIONS

All material aspects of the R&D and commercialization of regenerative medicine medical devices and FSMPs are heavily regulated. Any failure to comply with existing or future regulations and industry standards or any adverse actions by competent authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

All jurisdictions in which we intend to develop and commercialize our product candidates regulate these activities in great depth and detail. We intend to focus our activities in the major markets including China, which strictly regulates the regenerative medicine medical device and FSMPs industries, and in doing so, the competent authority in China employs broadly similar regulatory strategies, including regulation of the development and approval, manufacturing, marketing, sales and distribution of our product candidates. In addition, if we expand our business beyond China in the future, we will be facing different regulatory regimes that make for a more complex and costly regulatory compliance burden to operate in these regions.

The process of obtaining regulatory approvals and maintaining compliance with appropriate laws and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable regulatory requirements in the jurisdictions we operate or target to operate in the future at any time during the product development process or approval process, or after approval, may cause consequences including but not limited to a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Any occurrence of the foregoing could therefore materially and adversely affect our business, financial condition, results of operations and prospects.

Any failure to comply with existing laws, regulations and industry standards could result in fines or other punitive actions against us, the termination of ongoing research and the disqualification of data for submission to regulatory authorities, or a ban on the future sales of our products, each of which could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. In addition, any action against us for violation of the relevant laws, regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business, and adversely affect our reputation and financial results.

After we receive regulatory approvals for our product candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses and penalties for noncompliance.

Our products that have received regulatory approvals and our product candidates once approved by the competent authorities may be subject to conditions of approval or limitations on the approved indicated uses for which the product may be marketed, or we may be required to perform post-marketing testing or continuously monitor the safety and efficacy of the product candidate, which could adversely affect the product's commercial potential. The NMPA or other comparable regulatory authorities may also require a risk evaluation and mitigation strategy program as a condition of approval of our product candidates or following approval. If the NMPA or other comparable regulatory authorities approve our product candidates, we will have to comply with requirements, including submissions of safety and other post-marketing information and reports, and registration, as well as continued compliance with GMPs, for commercialized products as well as any clinical trials or evaluations that we conduct post approval.

In addition, if any of our product candidates receives regulatory approval in the future, it will be subject to changing and additional regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information.

We are required to maintain and renew various approvals, licenses, permits and certificates from relevant authorities to operate our business pursuant to relevant laws and regulations. Any failure to maintain 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 to take remedial actions, suspension of our operations, fines and penalties or other potential civil and criminal consequences which could materially and adversely affect our business, reputation, financial condition and results of operations. Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect in the future, we may be required to obtain additional approvals, permits, licenses or certificates and there can be no assurance that we will be able to do so. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, increase our costs, and, in turn, adversely affect our results of operations and prospects.

In addition, after a product is approved by the NMPA or a comparable regulatory authority for marketing, there may be a subsequent discovery of problems with respect to our products which had not been identified previously, including problems with the manufacturing processes, or failure to comply with regulatory requirements. Such problems may result in, among others:

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

The NMPA and comparable regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products that are placed on the market. Medical devices and FSMPs may be promoted only for their approved indications or applications and for use in accordance with the provisions of the approved label. The NMPA and other comparable regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. If we are not able to maintain regulatory compliance, we may lose the regulatory approvals that we have already obtained and may not achieve or sustain profitability, which in turn could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Regulations over regenerative medicine medical devices and FSMPs have been evolving and may have an adverse impact on our business.

In China and some other jurisdictions, a number of legislative and regulatory changes and proposed changes regarding healthcare could prevent or delay regulatory approval of our pipeline products, restrict or regulate post-approval activities and affect our ability to profitably sell our products for which we obtain regulatory approval. In recent years, there have been and will likely continue to be efforts to enact administrative or legislative changes to healthcare laws and policies, including measures which may result in more rigorous coverage criteria and downward pressure on

the price that we receive for any approved product. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or successfully commercialize our products.

Legislative and regulatory proposals have been made to expand post-approval requirements for medical devices. We cannot assure that whether additional legislative changes will be enacted, or whether NMPA regulations, guidance or interpretations will be changed, or what the impact of such changes on the regulatory approvals of our products may be. For example, according to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) effective on June 1, 2021, medical device companies are required to establish a quality management system and monitor and evaluate post-approval risks and adverse events caused by the products. The impact of these more specific requirements and whether they will adversely affect the registration of our products with the NMPA is yet to be observed.

In addition, FSMPs are under multiple regulations in China, including food safety and labeling regulations specific to FSMPs, such as the Administrative Measures for the Registration of Formula Food for Special Medical Purposes (《特殊醫學用途配方食品註冊管理辦法》) promulgated by the SAMR on March 10, 2016, which was revised on November 28, 2023 and became effective on January 1, 2024.

As such, the evolving regulatory regime may materially and adversely affect our business, results of operations and financial condition. For example:

- our business partners, such as medical institutions and distributors, may be subject to greater regulatory scrutiny in their operations, such as the administration of products to consumers and the qualifications and licenses required for the entities and the relevant personnel;

- we may be subject to more stringent or different requirements on the manufacturing and commercialization of our products and R&D of our product candidates;

- we may encounter greater difficulties in obtaining relevant regulatory approvals; and

- our marketing initiatives may be restricted in scope, content, format and other aspects, which may reduce the effectiveness of our marketing efforts.

As a result, we may experience a decline in revenue, incur higher expenditures, and be subject to negative publicity and penalties, all of which will adversely affect our business, reputation, results of operations and financial condition.

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

Healthcare providers, doctors and others play a primary role in the recommendation and prescription of any products for which we may seek regulatory approval. If we obtain the NMPA approvals for any of our product candidates and begin commercializing those products in the PRC, our operations may be subject to various PRC laws, including the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) and PRC Criminal Law (《中華人民共和國刑法》). These laws may impact, among others, our proposed sales, marketing and education programs.

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

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.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of personal information worldwide is rapidly evolving. There are a series of laws and regulations that protect the confidentiality of individually identifiable patient health information, including patient records, and restricting the use and disclosure of that protected information. Regulatory authorities may continue to introduce additional legislative and regulatory proposals concerning personal data protection.

In terms of scientific data, 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》) (the "**Scientific Data Measures**"), which provide a broad definition of scientific data and relevant rules

for the management of scientific data. According to the Scientific Data Measures, enterprises in the PRC must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded, at least in part, by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Given the term state secret is not clearly defined, if and to the extent our R&D of product candidates will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you that we can always obtain relevant approvals for sending scientific data (such as the results of our preclinical studies or clinical trials conducted within China) abroad or to our foreign partners in China.

In terms of personal information, the Standing Committee of the National People's Congress of the PRC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), which became effective on November 1, 2021 and sets forth detailed rules on handling personal information and legal responsibilities and also strengthens the punishment for illegal process of personal information.

In terms of cross-border transfer of data, the Data Security Law of the PRC (《中華人民共和國數據安全法》) which took 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 penalties, fines, and/or may suspension of relevant business or revocation of the business license. Moreover, the Outbound Data Transfer Security Assessment Measures (《數據出境安全評估辦法》) was published on July 7, 2022 and became 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 and falling under certain circumstances shall be subject to security assessment of cross-border data transfer.

On December 28, 2021, the Cyberspace Administration of China ("**CAC**"), jointly with other 12 governmental authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cyber Review Measures**") which became effective on February 15, 2022. Pursuant to Article 2 of the Cyber Review Measures, critical information infrastructure operators purchasing network product or service and network platform operators conducting data process activities, which affect or may affect national security, shall be subject to the cybersecurity review.

On March 22, 2024, the CAC promulgated the Regulations on Promoting and Regulating Cross-border Data Flow (《促進和規範數據跨境流動規定》), which further clarified the implementation and connection of the existing data cross-border transfer security assessment,

personal information cross-border standard contract and personal information protection certification regarding data outbound. Conditions for cross-border data flow is appropriately relaxed, and the scope of data cross-border transfer security assessment is appropriately narrowed.

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 additional operational costs or require us to modify our data processing practices and processes. If we or our third-party business partners fail to comply with any such laws or regulations, we may face proceedings against us by data protection authorities and governmental entities, which could subject us to significant fines, penalties, judgments, negative publicity and reputational damage, and may otherwise materially and adversely affect our business, financial condition and results of operations. We will closely monitor and assess any relevant legislative and regulatory development and get prepared to obtain necessary approvals or reviews.

If we fail to comply with environmental, health and safety, fire control and construction related laws and regulations, we could become subject to fines or penalties or incur costs that could materially and adversely affect our business.

We are subject to numerous environmental, health and safety, fire control and construction related laws and regulations, including those governing laboratory procedures, manufacturing facilities and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations may involve the use of hazardous and flammable materials, including chemicals and biological materials, and may produce hazardous waste products. The cost of compliance with environmental protection, health, safety and construction project related regulations is substantial. We may contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials and wastes. In the event of contamination or injury resulting from our use of hazardous materials or our or third parties' disposal 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.

In addition, we may be required to incur costs to comply with future environmental, health and safety laws and regulations. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Although we maintain statutory employees' social insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of or exposure to hazardous materials, such insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental

liability or toxic tort claims that may be asserted against us in connection with our storage, use or disposal of hazardous materials. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO MANUFACTURING OF OUR PRODUCT CANDIDATES

Our business could be materially and adversely affected if we encounter problems in manufacturing our future products.

Manufacturing regenerative medicine material-based injectables or FSMP products on a commercial scale is a complex process requiring significant expertise and capital investment, in part due to strict regulatory requirements. The problems that may arise from the manufacturing process include but are not limited to:

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

If problems arise during the production process of certain future products, a batch or several related batches of such product may have to be discarded and cause production delays, cost increases, lost revenue, damage to customer relationships, time and expense spent investigating the

cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the products are released to the market, recall and product liability costs may also be incurred.

In addition, the quality of our products manufactured by us for commercial use in the future, depends significantly on the effectiveness of our quality control and quality assurance, which in turn depends on factors such as the production processes used in manufacturing facility, the quality and reliability of equipment used, the quality of the operating staff and related training programs and our ability to ensure that our staff adhere to our quality control and quality assurance procedures. We cannot assure you that our quality control and quality assurance procedures will be effective in consistently preventing and resolving deviations from our quality standards or that our standard operating procedures will be complete or updated at all times. Any significant failure or deterioration of our quality control and quality assurance procedures could render our products unsuitable for use, or not in compliance with the relevant requirements of the GMP and/or harm our market reputation and relationships with business partners. Any such developments may have a material adverse effect on our business, financial condition and results of operations.

Failure to meet or maintain compliant with relevant manufacturing standards and any other disruption or suspension of manufacturing activities may affect our business and results of operations.

We consider our manufacturing capacity and capabilities as one of our key competitive strengths to stand out in our industry. We have one in-house manufacturing facility located in Shuyang county, Jiangsu Province, China, which is designed with reference to China's GMP standards, EU MDR standards and U.S. FDA standards for medical devices, and National Food Safety Standard (GB 29923-2023) for FSMPs. We have also initiated the construction of phase I of our manufacturing facility at our Chengdu headquarters, followed by phase II expected to be commenced in the first half of 2027. However, we cannot assure you that our expansion plan will be successfully implemented without delays or at all. Our ability to implement our expansion plan is subject to a number of factors. New manufacturing facilities may require prior review by regulatory authorities and/or approval of the manufacturing process and procedures in accordance with applicable requirements. This review may be costly and time-consuming and could delay or halt the launch of our products. The new facilities will also be subject to pre-approval inspection. In addition, we have to demonstrate that the products made at the new facilities are equivalent to the products made at the former facilities, which are costly and time-consuming. Regulatory authorities may also require the relevant equivalency testing, which would result in additional costs and delays.

Our manufacturing facilities are subject to regular inspections by the relevant government authorities as part of the process of maintaining or renewing the permits, licenses and certificates required for our business and operations. Such inspections require us to comply with, among other things, China's GMP standards, EU MDR standards, U.S. FDA regulations and National Food Safety Standard (GB 29923-2023). We cannot guarantee that we will be able to adequately follow and document our adherence to such GMP regulations or other regulatory requirements. When inspecting our manufacturing facilities, the NMPA or other comparable regulatory authorities may cite GMP, MDR and/or FDA deficiencies. Remediating deficiencies can be laborious, time-consuming and costly. Moreover, the NMPA or other comparable regulatory authorities will generally re-inspect the facilities to determine whether the deficiency was remediated to its satisfaction, and may note further deficiencies during re-inspection. We may be required to delay, suspend or cease manufacturing activities if we fail to pass these regulatory inspections, which will affect our ability to fulfill product orders and sell our products, and in turn, have a material and adverse effect on our business, financial condition and results of operations.

The continued operation of our manufacturing facilities and our production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of which are beyond our control. These may include power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars, or loss of licenses, certifications and permits. If the operation of our manufacturing facilities is substantially disrupted, we may not be able to replace the equipment or inventories, or use different sites or a third-party contractor to continue our production in a legal, timely and cost-effective manner or at all. Additionally, problems may also arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, expansion of existing manufacturing facilities, changes in manufacturing site and limits to production capacity due to regulatory requirements, changes in the types of products produced, man-made or natural disasters, and environmental factors. As a result of disruption to our manufacturing site or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenues and profitability could be materially and adversely affected.

Advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete, and as a result, we may also need to develop advanced manufacturing techniques and process controls in order to fully utilize our facilities. If we are unable to do so, if the process to do so is delayed, or if the associated cost is not economically feasible, we may not be able to supply our products in a sufficient quantity to meet future demand, which would limit our development and commercialization activities and our opportunities for growth.

We procure certain raw materials from third-party suppliers for our manufacturing needs. Such supplies may not be available to us on acceptable terms or at all, and an increase in the market prices of such supplies may adversely affect our results of operations.

We procure certain raw materials from third-party suppliers for our manufacturing needs. We expect to continue to procure raw materials from third-party suppliers for the research, development, manufacturing and commercialization of our product candidates. As we continue to develop and scale our manufacturing process and capacity, there is no assurance that we will be able to, at all times, procure the materials we need in adequate amount or on commercially reasonable terms, in a timely manner or at all. We might in the future encounter temporary difficulties in sourcing key raw materials as a result of health epidemics or outbreaks of contagious diseases as well as natural disasters, which could have a material impact on our business operations. For the risks associated with health epidemics or outbreaks of contagious diseases as well as natural disasters, see "— Risks Relating to Our Operations — We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control." Moreover, we may not be able to continue to procure from any of our current suppliers due to other reasons, such as regulatory actions or requirements affecting certain supplier(s), adverse financial or other strategic developments experienced by certain supplier(s), labor disputes or shortages, unexpected demands, or quality issues. Failure to obtain sufficient supply of these materials could adversely affect our ability to satisfy demand for our product candidates, which could adversely and materially affect our development process, future commercialization efforts and operating results.

Furthermore, as our manufacturing processes require substantial amounts of supplies, fluctuations in price of such supplies may directly and adversely impact on our profitability. During the Track Record Period, we had not experienced significant fluctuations in prices of supplies, and they are generally available and in sufficient quantity to meet our demands. However, we cannot assure you that this will continue to be the case in the future. The prices of supplies we use in manufacturing our product candidates may be affected by a number of factors, including market supply and demand, the global environmental and regulatory requirements, natural disasters such as fires, outbreak of epidemics or diseases, and the global economic conditions. A significant increase in the costs of supplies may directly and negatively affect our profit margins and, ultimately, our business, financial conditions, results of operation and prospects.

RISKS RELATING TO COMMERCIALIZATION OF OUR PRODUCT CANDIDATES

We have limited experience in the sales and marketing of our products in commercial scale. If we are unable to build, manage, expand and optimize an effective sales and distribution network for our product candidates, either by ourselves or through third parties, we may not be able to successfully create or increase market awareness of our products or sell our products, which will materially affect our ability to generate product sales revenue.

Our business focus during the Track Record Period was the development of our Class III regenerative medicine material-based product candidates as well as FSMP product candidates, some of which has been commercialized and the rest of which is expected to be commercialized in the next few years. Although we have launched two FSMP products and seven regenerative medicine material-based medical dressings and patches products regulated as Class II medical devices, such commercialization experience or strategy has limitations when we launch our Class III regenerative medicine material-based injectable product candidates and specific nutritionally complete formula food product candidates which generally have different natures, intended indications, target end customers, expected sales volume and preferred sales model or sales channels than our commercialized products. We have not yet demonstrated that we have the ability to launch and commercialize our Class III regenerative medicine material-based injectable product candidates and specific nutritionally complete formula food product candidates in commercial scale.

Leveraging our management team's accumulated knowledge of and extensive industry experience, we intend to adopt customized commercialization strategies for different products or even different indications of a certain product in different countries/regions, and take into account whether we have sufficient resources and connections to promote our products efficiently. For instance, we have authorized an affiliate of a leading pharmaceutical company listed in Hong Kong and So-Young International for the promotion, sales and commercialization of certain of our products in mainland China, Hong Kong, Macau and Taiwan, with the expectation to quickly enter the market by leveraging our business partners' mature sales channels with a wide geographic coverage. See "Business — Our License-out and Collaboration Arrangements." In the long run, as we have been establishing our internal sales force, preparing for the commercialization of our products candidates when and where we consider appropriate, we expect to eventually rely on our internal sales and marketing team, to a larger extent, after we have well-established sales channels and our products are more widely and well recognized in the market.

Our ability to successfully commercialize our product candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience in launching and marketing product candidates. We will have to compete with many companies that currently

have commercialization teams and extensive sales and marketing operations. With limited experience in sales and marketing, we may be unable to compete successfully against these more established companies.

When we develop and expand our in-house marketing organization and sales force, we may incur significant expenditures, management resources and time. We will have to compete with other market players to recruit, hire, train and retain marketing and sales personnel.

If we work with external partners to leverage their sales and marketing expertise and well-established networks and resources, there can be no assurance that we will be able to establish or maintain such arrangements, or if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties. We would have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our product candidates ourselves. See "— If we fail to manage our relationship with our distributors, or if actions taken by our distributors violate their distribution agreements with us or applicable laws and regulations, our business, financial performance and reputation could be materially and adversely affected" for details of risks relating to any distribution arrangement enter into. We will also face competition in our search for third parties to assist us with the sales and marketing efforts for our product candidates.

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

If we fail to manage our relationship with our distributors, or if actions taken by our distributors violate their distribution agreements with us or applicable laws and regulations, our business, financial performance and reputation could be materially and adversely affected.

We collaborate with distributors to promote, sell and commercialize our product. See "Business — Customers — Sales Channels — Distribution" for further details. Our ability to control or manage the activities of our distributors is relatively limited. We enter into distribution agreements with our distributors and mainly rely on contractual arrangements to govern our relationships with them, including their compliance with relevant laws and regulations and our internal policies. We cannot assure you that we will be able to effectively manage our distributors, or that our distributors would not breach our agreements or internal policies. We cannot assure you that the distributors can maintain all their requisite approvals, licenses or permits applicable to their business at all relevant times. Nor can we assure you that they will rectify any such

non-compliance in a timely manner or at all, and we may have to terminate our collaboration with them accordingly, all of which may materially and adversely affect the distribution of our products and our business and results of operations. If our distributors take any of the following actions, our business, results of operations, financial condition and reputation may also be adversely affected:

- breach of the distribution agreements or our internal policies, including by selling competing products, selling products outside their designated medical institutions or territories, engaging sub-distributors without our approval, or otherwise acting beyond the authorized practices;

- failure to maintain the requisite licenses, permits or approvals, or comply with applicable regulatory requirements;

- failure to adequately promote our products;

- failure to provide after-sales services; or

- violation of applicable laws, such as the anti-corruption and anti-competition laws.

Any violation or alleged violation by our distributors against the distribution agreements, the applicable laws and regulations, or our internal policies could harm our brand, lead to unfavorable public perception about our products and brand, subject us to liabilities, and result in material adverse effects on our business, financial condition and results of operations.

Additionally, we cannot assure you that we will be able to maintain our relationships with existing distributors. We may have disputes with our distributors, which may not be resolved in a timely or commercially reasonable manner, or at all. Furthermore, our existing distributors may not be able to maintain or increase their sales or expand their businesses. As we expand into new regional markets in China and overseas, we may fail to establish or maintain relationship with new distributors in the regions on commercially reasonable terms or at all. Distributors and we may cease collaboration due to a number of factors, such as dissatisfactory operational performance, sales of competing products, insufficient funding, business closures, and unsuccessful contract renewal negotiations. We cannot predict the level of attrition that may occur in the future, and a high attrition could adversely affect our business, results of operations and financial condition.

The size of the potential market for our current or future product candidates is difficult to estimate and, if any of our assumptions are inaccurate, the actual markets for our current or future product candidates may be smaller than our estimates. Such addressable market of our products may not grow as rapidly as anticipated, which would materially and adversely affect our business, results of operations and financial condition.

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

Furthermore, even if our projections are largely accurate based on the information available at the time we make them, the market prospect also depends on a number of other factors beyond our control, including, among others, the actual degree of acceptance, recognition and penetration of regenerative medicine products among the population, the development and relative advantages of alternative solutions, and changes in the industry landscape, such as the advancement of new technologies and competing or substitute products in the future. Moreover, if any market participants in the industry are involved in disputes or negative publicity that have an adverse impact on the industry, our business, results of operations and reputation could also be negatively affected.

Our product candidates, once approved, may fail to achieve the degree of market acceptance by medical institutions, practitioners, patients, consumers, and others in the medical community that would be necessary for our product candidates' commercial success.

Our future approved product candidates may fail to gain sufficient market acceptance, particularly among medical institutions, practitioners, patients and consumers. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including but not limited to the following:

- our ability to address the evolving needs and preferences of medical institutions, practitioners, patients, and consumers, among others, in the regenerative medicine market and FSMP market, particularly in China;

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

- the perception of our product candidates as a safe and effective treatment by practitioners, medical institutions, patients and consumers, among others;
- the potential and perceived advantages of our product candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of applicable regulatory authorities;
- limitations or warnings contained in the labeling approved by applicable regulatory authorities;
- the timing of market introduction of our product candidates as well as competitive products;
- the cost of treatment in relation to alternative treatments;
- the willingness of practitioners, medical institutions, patients and consumers, among others, to pay for our products; and
- the effectiveness of our sales and marketing efforts.

If any approved product 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 future approved product candidates achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies introduced that are more favorably received or more cost-effective. Our failure to achieve or maintain market acceptance for our future approved product candidates would materially adversely affect our business, financial condition, results of operations and prospects.

We have limited control over the medical institutions, practitioners and other service providers that adopt our product candidates, and depend in part on their ability to utilize and promote our products in a compliant, safe and effective manner.

Our future approved product candidates will be sold through distributors and our in-house sales force to medical institutions. Our products are subsequently administered to patients and consumers by practitioners in the medical institution. We plan to periodically review customer qualifications to ensure continuous compliance with relevant laws and regulations. We strive to ensure that the distributors and other business partners that we engage with, especially medical

institutions and practitioners that actually apply our products, are compliant with our operational standards and regulatory requirements, such as applying our products in strict accordance with the applicable scope in the approved label. However, we do not closely monitor or otherwise directly participate in the treatments or procedures performed by the medical institutions and their practitioners, and we have limited control over the actual application of our products by their practitioners. In addition, our products may be adopted or administered to patients or consumers by third parties beyond our control, some of whom may not be qualified or have the requisite qualifications for safe and effective medical treatments. We cannot assure you that the medical treatments or procedures using our products by third parties would always be compliant with our operational standards and regulatory requirements. For instance, if our products are administered to the incorrect or inappropriate sites or depths by the practitioners, patients or consumers might experience adverse results, side effects or bodily injury. As a result, any improper adoption or administration of our products could potentially harm our reputation, expose us to disputes and litigations, and adversely affect our business and results of operations.

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

The illegal import of similar or competing products from countries where government price controls or other market dynamics result in lower prices may adversely affect the demand for our future approved product candidates and, in turn, may adversely affect our sales and profitability in China and other countries where we plan to commercialize our product candidates.

Unapproved foreign imports of medical devices and FSMPs are illegal under current laws of China. However, illegal imports may continue to occur or even increase as the ability of patients and other customers to obtain these lower priced imports continues to grow. 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' ability to import lower priced versions of our future approved products or competing products from outside China or other countries where we operate. Any future legislation or regulations that increase consumer access to lower priced medical devices or FSMPs from outside China or other countries where we operate could have a material adverse effect on our business.

Certain medical devices or FSMPs distributed or sold in our target markets may be manufactured without proper licenses or approvals, or are fraudulently mislabeled with respect to their usage or manufacturers. These products are generally referred to as counterfeit products. The regulatory control and law enforcement system in relation to the counterfeit products, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit products imitating our products in a timely manner, or at all. Since counterfeit products in many cases have very

similar appearances compared with the authentic products but are generally sold at lower prices, counterfeits of our products can quickly erode the demand for our future approved product candidates. A patient who receives a counterfeit product may be at risk for a number of dangerous health consequences, which potentially exposes us to product liability claims, government investigations, and other disputes and negative consequences. Our reputation and business could suffer harm as a result of counterfeit products sold under our or our collaboration partner's brand name(s).

Guidelines, recommendations and studies published by various organizations could disfavor our product 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' products and product candidates. Any such guidelines, recommendations or studies that reflect negatively on our product candidates, either directly or relative to our competitive product candidates, could result in current or potential decreased use, sales of, and revenues from one or more of our product candidates.

Furthermore, our success depends in part on our and our commercialization partners' ability to educate healthcare providers and patients about our product candidates, and these education efforts could be rendered ineffective by, among other things, third-parties' guidelines, recommendations or studies.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

If we are unable to obtain and maintain patent protection for our product candidates, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and the commercial prospects of our product candidates would be materially and adversely affected.

We view the proprietary protection of our products as integral to our entire operation. Throughout the Track Record Period, we sought to protect the product candidates and technologies that we consider commercially important by filing patent applications in China and potentially other countries where we intend to enter into, relying on trade secrets or regulatory protection or employing a combination of these methods. Any failure by us to obtain or maintain patent protection with respect to our product candidates and technologies could materially adversely affect our business, financial condition, results of operations and prospects.

The patent application and prosecution processes are expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patents and patent applications at a reasonable cost or in a timely manner in all desirable territories. For example, in China, the China National Intellectual Property Administration ("**CNIPA**") may require us to amend our patent applications after substantive examinations, including reducing the patentable coverage, and if we fail to respond within a specified period, our applications will be deemed to be withdrawn. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields and territories.

Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application or the lack of novelty of the underlying invention or technology. For example, in making any patent application, there is no guarantee that we will have been the first to develop our product candidates or other proprietary technologies through independent means. In such cases, it is possible that our patent applications will be rejected. It is also possible that we will fail to identify patentable aspects of our R&D output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our R&D output, such as our employees, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to obtain patent protection.

In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in certain jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions.

Furthermore, China has adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met and no objection are raised by other parties. Under the first-to-file system, if third parties file first, they may be granted a patent relating to a technology which we invented. In addition, under the PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the CNIPA for confidential examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The scope of patent protection is uncertain and our current or any future patents may be challenged and invalidated even after issuance, which would materially and adversely affect our ability to successfully commercialize any product candidates.

The scope of patent protection in various jurisdictions is uncertain. Changes in patent laws or their interpretation in the future may increase the uncertainties and costs surrounding the prosecution of our patents, diminish our ability to protect our innovations, affect the value of our intellectual property, jeopardize ongoing patent applications and/or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing, and may pursue going forward, will be granted, or, if granted, whether they could continue to provide sufficient protection from competitors.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we currently own or may own in the future are granted as patents, they may not be issued in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. Any patents that we hold may be challenged, narrowed, circumvented or invalidated by third parties.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patent rights may be challenged in the courts or patent offices in China and other countries. An adverse determination from such challenges could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or product candidates and compete directly with us without payment to us, or result in our inability to manufacture or commercialize product candidates without infringing, misappropriating or otherwise violating third-party patent rights. Such challenges also may result in substantial costs and require significant time from our scientists and management, even if the eventual outcome is favorable to us.

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

Although various adjustments and extensions may be available, the term of a patent, and the protection it affords, is limited. For example, the expiration of a patent is generally 20 years for invention in the PRC. The patents and pending patent applications, if issued, for our product candidates are expected to expire on various dates. For the expiration dates of our material patents and patent applications for our product candidates, please see "Business — Intellectual Property."

Upon the expiration of our issued patents or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

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

We may face challenges associated with protecting our intellectual property rights in other jurisdictions.

As of the Latest Practicable Date, we held 41 patents and 32 patent applications in China. We expect to submit patent applications in the EU to facilitate our entrance into European market.

As we intend to commercialize our products on an international scale, we may face challenges associated with protecting our intellectual property rights in other jurisdictions. Filing, prosecuting, maintaining and defending patents in all other countries throughout the world requires significant financial resources and management attention. Moreover, our intellectual property rights in other jurisdictions may be of different scope and strength as compared to those in our target markets. Consequently, we may not be able to entirely prevent third parties from using our intellectual property to produce, sell or import products in other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products, and may also export otherwise infringing products to jurisdictions where we do not have patent protection or strong patent enforcement rights. Such occurrences may diminish our competitive advantages, prospects and market share.

Our products may become subject to intellectual property infringement or misappropriation claims or other legal challenges and such litigation could be costly and time-consuming and could prevent or delay us from developing or commercializing our product candidates.

Our commercial prospect depends partly upon our ability to develop, manufacture, market and sell our product candidates without infringing, misappropriating or otherwise violating the intellectual property rights of others. Many market players in our industry maintain worldwide patent portfolios as a strategy adopted for global expansion. Their patents may be valid globally, including in jurisdictions where we intend to commercialize our products. As more patents are

applied for and granted as our industry grows, we are subject to higher risks of unknowingly violating the patents of third parties. Furthermore, our competitors may also obtain patents that restrict or preclude our ability to lawfully manufacture and market our products.

We cannot guarantee that our product candidates or any uses of our product 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 product candidates. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our product candidates or their use.

Third parties might allege that we are infringing their patent rights or that we have misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, use or manufacture of the product candidates we are developing. Such third parties might resort to litigation against us. Any patent or trademark infringement, trade secret misappropriation or other intellectual property claims or legal proceedings brought against us could result in substantial costs and divert capital resources and management attention. In the event that we are unsuccessful in defending such claims or legal proceedings, we may be compelled to accept one or more of the following solutions:

- pay substantial damages, court costs, and attorneys' fees;
- obtain licenses or pay ongoing royalties on unfavorable terms;
- cease developing, manufacturing or selling products that incorporate the intellectual property in dispute;
- cease using and registering certain domain names, brands or trademarks in connection with some or all of our products and business activities in some or all jurisdictions in which we operate;
- redesign or reengineer products; and
- change our business processes.

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 ultimately prevail, or settle at an early stage, such litigation could burden us with substantial unanticipated costs.

As the legal threshold for bringing intellectual property claims and proceedings against us is low, we may be subject to intellectual property claims and proceedings regardless of the merit and probability of success of such claims. Any intellectual property–related disputes or litigation, regardless of outcome or merit, could result in substantial costs and expenses, negative publicity and diversion of management resources. During the course of any intellectual property claims or proceedings, there could be public announcements of the results of hearings, rulings on motions and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our product candidates, future product candidates, programs or intellectual property could be diminished. Accordingly, the market price of our H Shares may decline. Such announcements could also harm our reputation or the market for our product candidates, which could have a material adverse effect on our business. An adverse outcome in such litigation or proceedings may expose us or any future strategic partners to loss of our proprietary position, expose us to significant liability or require us to seek licenses that may not be available on commercially acceptable terms, if at all, which could have a material adverse effect on our business.

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

As intellectual property rights have limitations, they do not necessarily protect us from all potential threats in our competition with other biotech companies. Some of such limitations include:

- others may be able to manufacture products that are similar to our product candidates or apply similar technology that is not covered by the patents we own or license, now or in the future;

- others may independently develop similar products through methods or means that do not technically infringe, misappropriate or otherwise violate our intellectual property rights, particularly if the scope of protection afforded by our intellectual property rights is limited by the laws and regulations of certain jurisdictions or pursuant to court judgments or other legal proceedings;

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

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

- we may not develop additional proprietary technologies that are patentable;

- 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;

- our patents may be rendered invalid or unenforceable as a result of legal challenges by our competitors; and

- our competitors might conduct R&D activities in countries where we do not have patent rights and use the information learned to develop competitive products for sale in our major markets.

Failure to protect our know-how, trade secrets and other confidential proprietary information may adversely affect our competitiveness.

In addition to patents and pending patent applications, we rely on know-how, trade secrets and other confidential proprietary information that cannot be patented to maintain our competitive position. To protect such intellectual property, we generally enter into non-disclosure and confidentiality agreements with employees, business partners, consultants, advisors and other third parties. Our standard employment contract contains a confidentiality clause and non-compete clause, where our employees may not conduct business in direct or indirect competition with us during the term of their employment. Additionally, we require our collaborating research institutions or other individuals to sign contracts with provisions that limit their ability to disclose certain data and other information obtained during the course of their research. However, we cannot assure you that our employees or other third parties will not intentionally or inadvertently make unauthorized disclosures or uses of our know-how, trade secrets and other confidential proprietary information. We also cannot guarantee the physical and cyber security of our information technology systems from data breaches and malicious attacks. Despite measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully gain access to, obtain or use information that we regard as proprietary without our consent. Moreover, there may not be adequate remedies readily available to mitigate their unauthorized use or disclosure of our confidential proprietary information. We may hence be unable to sufficiently protect our trade secrets and proprietary information and other parties may attempt to or successfully make use of our know-how, trade secrets and other confidential proprietary information to produce products that erode our competitive position. Any enforcement and/or remedial measures that we take may be expensive and time-consuming, and the eventual outcomes may be unfavorable.

In addition, while we typically require our employees who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own. Furthermore, the assignment of intellectual

property rights may not be self-executing, or the assignment agreements may be breached, each of which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

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.

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

Failure to adequately protect our trade names, trademarks and other intellectual property may affect our ability to build brand recognition.

Our registered and unregistered trade names or trademarks may be challenged, infringed, circumvented or declared generic or infringing on other marks. We may not be able to protect our rights to these trade names and trademarks, which we need to build brand recognition among potential partners or customers in our markets of interest. As our products mature, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, or engaging in conduct that constitutes unfair competition, defamation or other violation of our rights, our business could be materially adversely affected.

Additionally, there is no guarantee that we will always be able to successfully register our trade names and trademarks. Failure to do so may prevent us from using our trade names and trademarks under the protection of the relevant laws and regulations, and we risk being accused of infringing other intellectual property rights. In addition, at times, competitors may adopt trade names or trademarks similar to our own and impede our ability to build brand recognition. Over the long term, failure to establish brand recognition based on our trade names and trademarks may prevent us from competing effectively and diminish our future prospects.

RISKS RELATING TO OUR OPERATIONS

We may fail to successfully manage our growth and expand our operations, including in China and overseas.

Since our inception, we have sought to expand our business through organic growth. As we advance our product candidates through clinical trials or clinical studies and prepare for potential commercial launch for multiple product candidates in the future, we will need to expand our development and manufacturing capabilities and seek cooperation opportunities for the sales and marketing of our future approved products. For instance, we have engaged business partners to facilitate sales of certain future product candidates expected to be approved.

Our management team has been taking significant responsibilities during our business expansion. Such responsibilities include (i) identifying, recruiting and integrating additional employees in accordance with our development plan; (ii) managing our internal development efforts effectively, including the clinical and regulatory authority review process for our product candidates, while complying with our contractual obligations to contractors and other third parties; and (iii) improving our operational, financial and management controls, reporting systems and procedures. We would also need to secure and manage additional collaborative relationships with various strategic partners, such as suppliers, CROs, and other third parties. However, we cannot guarantee that we will be able to successfully execute our development strategies.

It is difficult to predict our future growth based on our historical and operating data. We also cannot assure you that our future development plan will materialize. Investors should not rely solely on our historical results of operations to predict our future performance. Additionally, our expansion plans are based on our forward-looking assessment of market prospects. We cannot assure you that our assessments will prove correct.

In addition, we face risks inherent in international operations. We primarily conduct our business in China, and we are looking to expand our operations to Europe and Southeast Asia. Our operations and future success in expanding our business internationally, and competing in international markets is subject to our ability to manage various risks and difficulties, including, but not limited to:

- our ability to effectively manage and coordinate our employees across different geographic locations;
- our ability to develop and maintain relationships with customers, suppliers and other local stakeholders;
- obtaining the necessary approvals or qualifying for relevant exemptions for selling our products in each international market that we operate in;
- reliance on overseas partners for the development, commercialization or marketing of our products, which may incur additional costs;
- commercializing our products in new markets where we have limited experience and no sales and marketing infrastructure;
- product and professional liability litigation and regulatory scrutiny arising from the provision, marketing and sale of our products and services in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities;
- dealing with regulatory regimes, regulatory bodies and government policies which we may be unfamiliar;
- variations and changes in laws applicable to our operations in different jurisdictions, including enforceability of intellectual property and contractual rights;
- our ability to obtain and renew licenses that may be needed in international locations to support operations;
- customs regulations, tax regimes and the import and export of goods and raw materials;
- trade restrictions, sanctions, political changes, disruptions in financial markets, and deterioration of economic conditions;

- foreign investment restrictions;
- changes in tariffs, taxes and foreign currency exchange rates, which could result in increased operating expenses and reduced revenue;
- the effects of applicable foreign tax structures and potentially adverse tax consequences;
- economic weakness and inflation;
- workforce uncertainty and labor unrest; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

Our profitability and ability to implement our business strategies, maintain our market share and compete successfully in international markets may be compromised if we are unable to manage the foregoing risks and other international risks successfully.

We may be unable to attract and retain senior management and qualified clinical or R&D personnel.

Our operation depends in part on our continued ability to attract, retain and motivate senior management and qualified clinical or R&D personnel. We believe their efforts, connections and industry expertise are key to our business development.

The loss of services of any of our key management personnel may impede the achievement of our research, development and commercialization objectives. We cannot guarantee that we will be able to promptly hire and integrate qualified replacements. Replacing executive officers or senior management personnel may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products like those we develop. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous companies for similar personnel.

In addition, the future growth of our business will depend partly on our ability to attract and retain qualified personnel on reasonable terms, particularly those involved in our clinical and R&D operations. We may need to compete with other companies for personnel with the relevant qualifications and experience. We also experience competition for the hiring of scientific and

clinical personnel from universities and research institutions. Our consultants and advisers may be employed by others entities and may have commitments under consulting or advisory contracts with employers that may limit their availability to us. Although we have not historically experienced unique difficulties attracting and retaining qualified personnel, we could experience such problems in the future. If we are unable to continue to attract and retain high-quality personnel, our ability to pursue our growth strategy will be limited. Any inability to hire and retain personnel with the talent and technical skill that we need to conduct our business could materially adversely affect our business, financial condition, results of operations and prospects.

Our employees, CROs, business partners and other third parties whom we deal with may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, fraud or negligence, 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, business partners and other third parties we deal with. 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 healthcare fraud and abuse laws in China and other jurisdictions where applicable; or (iv) report financial information or data accurately or to disclose unauthorized activities to us. If we obtain approval for any of our product candidates and begin commercializing those products in China or any other jurisdictions, our potential exposure under relevant laws will increase significantly and our costs associated with compliance with such laws are also likely to increase. These laws may impact, among other things, our current activities with principal investigators of our clinical trials and our use of information obtained in the course of patient recruitment for clinical trials.

Although we have established internal control system, it is not always possible to identify and deter misconduct by employees and other third 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 reputation, business operations, financial position and results of operations.

Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations.

As advised by our PRC Legal Advisors, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in all material respects during the Track Record Period and up to the Latest Practicable Date. See "Business — Employees" for details. However, we cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not require us to pay any contribution shortfall or impose late payment penalties and fines on us retroactively, thereby adversely affecting our financial condition and results of operations.

We may be required to pay administrative fines for our failure to register some of our lease agreements with housing administration authorities.

As of the Latest Practicable Date, we had not completed the administrative filings of the lease agreement relating to five properties we leased for business purposes, with an aggregate GFA of approximately 2,129 sq.m. According to applicable PRC laws and regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with relevant governmental authorities within 30 days after the execution of the lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. 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 administrative filings within the period required by the relevant governmental authorities and the relevant authorities determine that we shall be liable for failing to complete the administrative filings of all the relevant lease agreements, we may be subject to a fine of up to RMB10,000 or such other fine which may be determined for each unregistered lease agreement by relevant government authorities. As of the Latest Practicable Date, we had not been subject to any penalties arising from the non-registration of lease agreements.

However, we cannot assure you that we would not be subject to any penalties and/or requests from the relevant governmental authorities to fulfill the registration requirements, which may increase our costs in the future.

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

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

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

Changes in social trends and political policies related to environmental, social, and governance issues may adversely affect our business operation.

As a company which operates a manufacturing facility, we are subject to potential risks arising from changes in social trends and political policies related to environmental, social, and governance (ESG) issues, such as public perception with respect to animal testing for the purpose of R&D.

Changes in social trends and political policies related to ESG issues could impact our business model in several ways. For example, if there is a shift towards more stringent regulations on environmental protection or animal welfare, we may face increased compliance costs and

operational challenges. Similarly, if there is a growing demand for regenerative medicine products that are developed and manufactured using environmentally friendly process, we may need to adapt our pipeline and invest in new technologies and process to reduce our environmental footprint.

Moreover, changes in political policies related to ESG issues may impact our access to funding and other resources that are critical to our growth and success. For instance, if there is a change in government policies that restricts funding for biotech companies that do not meet certain ESG criteria, we may face challenges in securing financing for our business activities.

Negative publicity about us, our Shareholders and affiliates, our brand and management may materially and adversely affect our business, reputation and [REDACTED] price of our H Shares.

We believe that market awareness and recognition of our brand image is important to our commercial prospect. Despite our efforts to promote our brand image, we may not be successful in doing so. Over the long term, negative publicity may materially and adversely affect our business and brand so as to reduce the **[REDACTED]** price of our H Shares and diminish our competitive position.

As we continue to grow our business, we may find it necessary to expand our sales network to enhance our marketing and branding efforts. Since we have limited control over such parties, we cannot guarantee that our efforts will be successful, nor that they will perform according to the standards expected. Any actions on their part that reflect negatively on our business or generate negative publicity for us may impede our efforts to establish our industry reputation.

Furthermore, negative publicity about us, our Shareholders and affiliates, alleged misconduct or improper activities or negative rumors relating to us, our management, employees, business partners or affiliates may arise from time to time in the internet and other media sources. They may harm our business and results of operations even if they are unsubstantiated. There is no guarantee that our efforts to defend ourselves against such negative publicity or rumors, or to address them internally, will be successful. Any regulatory inquiries or investigations against our directors and senior management, business partners or other affiliates regarding any perceived unethical, fraudulent or other inappropriate conduct may be particularly harmful to our reputation regardless of the merits or final outcome. In turn, this may affect our ability to grow our business and attract customers, suppliers and talented employees.

We are also particularly susceptible to negative media about the regenerative medicine industry in general or particular medical devices or services. Such negative media may result from the actions of competitors or other industry players, over whom we have no control. It is possible that the PRC government may promulgate laws and regulations that seek to address the source and

reasons for such negative media. We cannot guarantee that we will be able to adapt to such laws and regulations in a timely and effective manner, including adequate management of the related compliance costs.

Our insurance coverage may not sufficiently cover the risks related to our business operations.

We maintain insurance policies that we believe are customary with standard commercial practice in the regenerative medicine medical device and FSMP industries. However, we cannot guarantee you that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Should we incur substantial amounts in product liability claims, and be unable to cover these with our existing insurance policies or internal resources, we may be forced to suspend other key operations, such as the conduct of clinical trials, to divert funds from other aspects of our business.

Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. We may be required to bear our losses to the extent that they are not covered by insurance, or that our insurance coverage is insufficient, and such amounts could be substantial. We could suffer significant costs and diversion of our resources as a result.

Our information technology systems, or those of our CROs or other service providers or consultants, may fail or suffer security breaches.

Despite the implementation of security measures, our internal computer systems and those of our CROs, service providers or consultants are vulnerable to damage or interruption caused by, among others, power outages, computer viruses, phishing attacks, ransomware, worms, unauthorized access, telecommunication failures, cyber-attacks, natural disasters, terrorism and war. Should such events occur and interrupt our operations, we may experience a material disruption to our business operations.

In our ordinary course of business, we collect and store sensitive information, including the personal information of our employees, various intellectual property (including trade secrets), R&D information, sales and marketing strategies and key business and financial data. We manage and maintain our information and data through on-site systems and third-party vendors. Because information systems, networks and other technologies are critical to many of our operating activities, shutdowns or service disruptions at our sites or third-party vendors may materially and adversely affect our business operations by damaging key data and equipment. Such disruptions may be caused by events such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks

and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. There is no guarantee that our disaster recovery and automatic recovery systems will be able to retain and recover all the equipment or data affected by shutdowns or service disruptions. In addition, we may not have adequate insurance coverage to compensate for losses associated with such events.

Furthermore, we are vulnerable to risks caused by misappropriation, misuse, leakage, falsification, or intentional or accidental release or loss of sensitive information maintained in our information systems and those of our vendors, including confidential data on our employees, customers, suppliers and clinical trial subjects. Outside parties may attempt to penetrate our information systems or those of our vendors, or fraudulently induce our employees or our vendors' employees to disclose sensitive information through means such as viruses, phishing and cyber-attacks. The number and complexity of these threats continue to increase over time. In the event of a material breach of our information technology systems or those of our vendors, our business partners, customers or other industry players may have a negative perception of the effectiveness of our security measures, and we may experience harm to our reputation and credibility. We may also be compelled to expend substantial financial resources to repair or replace our information systems. In addition, we may be subjected to collective actions and/or claims from individuals respecting issues related to data privacy laws and regulations, such as misuse or inappropriate disclosure of data and unfair or deceptive practices.

We cannot guarantee that our internal control procedures will always be sufficient to identify and mitigate threats to our information systems. The development and maintenance of our information systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. We may not always be able to adapt our internal control procedures and update our information systems in a sufficiently timely or effective manner to eliminate all such risks. Additionally, the more we outsource protection and upgrading of our information systems to vendors, engage in electronic transactions and rely on cloud-based information systems, the less control we have over the risks to our information systems. To the extent that disruptions or security breaches of our information systems or those of our vendors, CROs, service providers or other consultants compel us to temporarily suspend our business operations, we may experience delays to the development and commercialization of our product candidates.

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

Natural disasters, acts of war, terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Our business could also be adversely affected by the effects of epidemics. Any such occurrences could cause severe disruption to our daily operations and may even require a temporary closure of our offices and laboratories. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

The foreign exchange regulations may limit our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the Chinese current foreign exchange control system, foreign exchange transactions under the current account conducted, including the payment of dividends, do not require advance approval from the SAFE. However, there is a requirement for relevant documentary evidence of such transactions and to conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected and could subject us to administrative penalties and fines.

RISKS RELATING TO OUR RELATIONSHIPS WITH CERTAIN THIRD PARTIES

We work with various third parties to develop our product candidates, such as those who help us conduct our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected timelines, we may not be able to obtain regulatory approval for, or commercialize, our product candidates, and our business could be materially harmed.

We have worked with and plan to continue to work with third-party business partners, such as CROs, to monitor and manage data for our ongoing preclinical and clinical programs. We work with these parties to execute 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 and scientific standards, and our collaboration with the CROs and other third parties does not relieve us of our regulatory responsibilities.

We, our CROs for our clinical programs and our clinical investigators are required to comply with good clinical practice ("**GCP**"), which are regulations and guidelines enforced by the NMPA and other comparable regulatory authorities for all of our product candidates in clinical development. If we or any of our CROs or clinical investigators fail to comply with applicable GCP, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms.

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

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

Our future revenues are dependent on our ability to work effectively with business partners, such as CROs, to develop our product candidates, including to obtain regulatory approval. Our arrangements with such business partners will be critical to successfully bringing our product candidates to market and commercializing them. We rely on third parties in various respects, including but not limited to undertaking R&D programs, conducting clinical trials, managing or assisting with the regulatory filings and approval process, and assisting with our commercialization efforts. We do not control our business partners; therefore, we cannot ensure that these third parties will adequately and timely perform all of their obligations to us. If they fail to complete the remaining studies successfully, or at all, it could delay, adversely affect or prevent regulatory approval. We cannot guarantee the satisfactory performance of any of our business partners and if any of our business partners breach or terminate their agreements with us, we may not be able to successfully commercialize the licensed product, which could materially and adversely affect our business, financial condition, cash flows and results of operations.

We have entered into certain licensing-out and/or strategic collaboration agreements with business partners and may form or seek other collaborations or strategic alliances in the future, and we may not realize the benefits of such alliances or licensing arrangements.

We have entered into certain licensing-out and/or strategic collaboration agreements for the promotion, sales and commercialization of certain regenerative medicine material-based injectable products. See "Business — Our License-out and Collaboration Arrangements." During the Track Record Period, we did not generate any revenues from our licensing-out arrangements.

We may continue to explore a variety of possible strategic collaborations or license opportunities in an effort to gain access to additional product candidates, technologies or commercialization resources. 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 product candidates due to factors beyond our control, for instance, our potential partners may not view our product candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability.

Collaborations, including licensing arrangements, involving our product candidates may be subject to various risks, including, but not limited to:

- business partners may have significant discretion in determining the development or commercialization strategy for our product candidate during collaboration, which may be different from what we expected and may be ineffective;

- the milestone payments and sales commissions we are entitled to under collaborations with business partners may generally be subject to certain conditions as agreed with the business partners, and we cannot guarantee we will receive the aggregate amount if certain conditions never occur;

- the development or commercialization capabilities of our partners may not be as strong as we expected;

- business partners may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in their strategic focus, availability of funding or other external factors, such as a business combination that diverts resources or creates competing priorities;

- business partners may not commit sufficient resources to the development or sales and marketing of one or more of our product candidates;

- we could grant exclusive rights to our business partners that would prevent us from collaborating with others;

- business partners 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;

- business partners may not aggressively or adequately pursue litigation against generic filers or may settle such litigation on unfavorable terms, as they may have different economic interests than ours, and such decisions could negatively impact any royalties we may receive under our license agreements;

- we may encounter material disputes with business partners regarding the terms of our collaboration, which could lead to disruption of the development or commercialization of our product candidates and litigations that could be time-consuming and expensive; and

- collaborations with business partners may be terminated and, if terminated, may result in a need for additional time and capital to pursue alternative partners for the development or commercialization of the applicable product candidates.

Therefore, we may not be able to realize the benefit of current or future collaborations with business partners, if we are unable to successfully integrate such collaborations 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 other financial benefits that justify 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 or delay the development or commercialization of one or more of our product candidates, reduce the scope of any sales or marketing activities, or increase our expenditures and undertake such development or commercialization activities at our own expense. As a result, we may not be able to further develop our product candidates or bring them to market and generate product sales revenue, which would harm our business prospects, financial condition and results of operations.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We recorded a moderate amount of revenue from our commercialized products in the Track Record Period, but we have not generated any revenue from sales of our main products, being our regenerative medicine material-based injectable product candidates and specific nutritionally complete formula food product candidates, which we expect to have a substantial contribution both commercially and financially in the future. We have incurred net losses since our inception and anticipate that we will continue to incur net losses for the foreseeable future and may never become profitable. Our ability to generate revenue from sales of our main products and become profitable depends significantly on our success in a number of factors. As a result, you may lose all or part of your investment in us.

We recorded a moderate amount of revenue primarily from our two non-nutritionally complete formula food products and seven products regulated as Class II medical devices in the Track Record Period. However, we are a Biotech Company as defined under Chapter 18A of the Listing Rules which has not successfully commercialized or generated any revenue from sales of our main products, being our Class III regenerative medicine material-based injectable product

candidates and specific nutritionally complete formula food product candidates. Investments in the development of products such as ours are highly speculative. It entails substantial upfront capital expenditure and significant risks that a product candidate may fail to gain regulatory approval or become commercially viable. As a result, you may lose all or part of your investment in us given the high risks involved in our business and associated with the biotech industry.

During the Track Record Period, we did not generate any revenue from our main products, i.e. our Class III regenerative medicine material-based injectable product candidates and specific nutritionally complete formula food product candidates under development, and we will continue to incur significant R&D and other expenses related to our ongoing operations. Our ability to generate revenue and achieve profitability will depend primarily on the success of the clinical trials, regulatory approval and commercialization of our product candidates, which is subject to significant uncertainty. Even if we successfully complete clinical trials and obtain regulatory approval to market our product candidates, our future revenue and profitability will depend upon other factors such as the market size for the proposed applications of our approved products, our ability to, among others (i) develop a sustainable and scalable manufacturing process for our product candidates, (ii) address any competing technological and market developments, (iii) identify, assess, acquire and/or develop new product candidates, intellectual property and technologies, (iv) achieve sufficient market acceptance, (v) negotiate favorable terms in any collaboration, licensing, or other arrangements into which we may enter, (vi) maintain, protect, expand and enforce our portfolio of intellectual property rights, including patents, trademarks, trade secrets, and know-how, and (vii) attract, hire, and retain qualified personnel.

We have incurred significant expenses related to the R&D of our product candidates in the past. For the years ended December 31, 2023 and 2024, our R&D expenses were RMB45.7 million and RMB45.0 million, respectively, which contributed significantly to our net losses of RMB63.5 million and RMB69.4 million in the same periods, respectively.

We expect to continue to incur net losses in the near future, and the losses may increase as we further our R&D efforts, seek regulatory approvals for our product candidates and expand our collaboration with third parties for the commercialization of future approved products. The size of our future net losses will depend, in part, on the number and scope of our product development programs and the associated costs of those programs, the cost of manufacturing and commercializing any approved products and our ability to generate revenues.

We may never become profitable. Even if we achieve profitability in the future, we may not be able to maintain profitability in subsequent periods. Our failure to become or 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 and/or continue our operations. Failure to become or remain profitable may adversely affect the **[REDACTED]** of our H Shares. A decline in the **[REDACTED]** of our H Shares could cause you to lose all or part of your investments in our business.

We had net operating cash outflows during the Track Record Period and we may need to obtain substantial additional financing to fund our operations. 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 product candidates.

We need to make substantial investments to complete preclinical and clinical development, obtain regulatory approvals, manufacture sufficient quantities of product candidates for clinical and future commercial use and coordinate marketing activities in relation to our product candidates as a condition to generating revenue. We also envisage significant funds to be expended on our post-approval commitments such as monitoring the efficacy and safety of our products on the market, if and when they are approved and commercialized. In doing so, we must expend substantial financial resources to fund our continuing and future operations.

As of March 31, 2025, we had cash and cash equivalents of RMB39.2 million. In March and April 2025, we received **[REDACTED]** investment of RMB20.0 million and RMB70.0 million, respectively. We also had unutilized bank facilities of RMB85.0 million as of the Latest Practicable Date. Taking into account the estimated net proceeds from the **[REDACTED]** and the financial resources available to us, and considering our cash burn rate, we have available sufficient working capital to cover at least 125% of our costs, including general, administrative and operating costs (including any production costs), R&D costs, and business development and marketing expenses, for at least the next 12 months from the date of this document.

Nevertheless, we recorded net cash outflow from operating activities of RMB0.1 million for the year ended December 31, 2023. We cannot assure you that we will be able to generate cash flows from operating activities in the future. Net operating cash outflow may impair our ability to make necessary capital expenditures and meet our liquidity requirements, thereby constraining our operational flexibility. If we are unable to maintain adequate working capital, 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.

In addition, our existing restricted bank deposits and cash and cash equivalents may not be sufficient to enable us to complete all development or commercially launch all of our current pipeline products for the anticipated characteristics and to invest in additional programs. During the Track Record Period, we funded our operations primarily through capital contributions by our shareholders, loans and revenue generated from our commercialized product candidates. We may

continue to rely on such method, as well as bank borrowings, debt financing, collaboration and licensing arrangements or other sources to raise additional capital. If we resort to other financing activities, we will incur financing costs and we cannot guarantee you that the financing may be available when we need them, on terms that are favorable to us, or at all. In the event 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 product candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

Furthermore, our ability to raise funds will also depend on financial, economic and market conditions and other factors, many of which are beyond our control. If adequate funding is not available to us on a timely manner, we may have to delay, limit, reduce or terminate preclinical studies, clinical trials or other R&D activities or the manufacturing and commercialization for one or more of our product candidates, which in turn will adversely affect our business prospects.

Failure to comply with certain financial covenants under the terms of our bank borrowings could have a material adverse impact on our business, results of operations and financial condition.

We are subject to restrictive covenants under certain of our bank borrowing agreements. Such restrictive covenants include, among others, providing notice or obtaining consent for certain significant corporate events and shareholder structure changes. These covenants limit the manner in which we conduct our business and we may be unable to engage in certain business activities or finance future operations or capital needs. Failure to meet these restrictive covenants in the future may entitle lenders to declare all borrowings outstanding and accrued and unpaid interest to be immediately due and payable, and we may be also required to pay accrued and unpaid interest at higher interest rates. Furthermore, any event of default or acceleration of payment in a bank borrowing agreement may trigger cross-default or cross acceleration provisions in other bank borrowing agreements or financing agreements. If lenders accelerate the repayment of our borrowings, we may not have sufficient cash to timely repay the borrowings and repayments may disrupt our cash flow and liquidity plans. Additionally, we have provided collateral under certain borrowings. If we cannot repay these borrowings, lenders may take ownership of collaterals granted to them. As a result, our business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period, we were in breach of certain restrictive financial covenants under some of our bank borrowing agreements. As of December 31, 2023 and 2024, bank borrowings of RMB10,812,000 and RMB20,022,000, respectively, were defaulted as we failed to meet certain banks' financial covenants to maintain financial ratios stipulated in the relevant agreements, which may trigger accelerated repayment to the bank and cross-default repayable on demand. See "Financial Information — Indebtedness Interest — Bearing Bank Borrowings" and

Note 24 to the Accountants' Report as set out in Appendix I. During the Track Record Period and up to the Latest Practicable Date, the lending banks did not take any actions in connection with our failure to maintain such financial ratios, and we were successful in renewing the relevant borrowing subsequent to the Track Record Period. Having considered the above, we are of the view that such breach would not have a material adverse impact on our business and financial performance.

We may incur impairment losses for prepayments and other receivables.

Our prepayments and other receivables primarily consist of prepayments to suppliers, and other debtors and deposits. During the Track Record Period, we did not record impairment loss for prepayments and other receivables. However, we may incur such impairment losses in the future. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions, and unpredictable adverse changes in the future may also result in decreases in the value of our prepayments and other receivables. Therefore, we cannot assure you that these assumptions and estimates would not result in outcomes that require a material adjustment to the carrying amounts of our prepayments and other receivables in the future, which may in turn result in impairment losses. Any significant impairment losses of prepayments and other receivables in the future could have an adverse effect on our business, financial condition and results of operations.

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

We benefited from government grants during the Track Record Period. We recorded government grants of RMB0.6 million and RMB1.6 million for the years ended December 31, 2023 and 2024, respectively. Such government grants primarily included subsidies to encourage R&D projects, industry development and regional equity financing reward support for private companies.

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

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and an active [REDACTED] market for our H Shares may not develop.

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

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

The **[REDACTED]** and **[REDACTED]** volume of our H Shares be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the **[REDACTED]** of the H shares of other companies engaging in similar business may affect the **[REDACTED]** and **[REDACTED]** volume of our H shares. In addition to market and industry factors, the **[REDACTED]** and **[REDACTED]** volume of our H shares may be highly volatile for specific business reasons, such as the results of clinical trials of our product candidates, the results of our applications for approval of our product candidates, regulatory developments affecting the regenerative medicine and FSMP industries, healthcare and other related matters, fluctuations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in demand for our products. Furthermore, the **[REDACTED]** of our H Shares could also decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or share-linked securities issued by our Company may also confer rights and privileges that take priority over those conferred by the H Shares.

The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the **[REDACTED]** of our H Shares.

Potential investors will experience immediate and substantial dilution and may experience further dilution if we [REDACTED] additional Shares or other equity securities in the future.

The **[REDACTED]** of the H Shares is higher than the net tangible asset value per H Share immediately prior to the **[REDACTED]**. Therefore, purchasers of our H Shares in the **[REDACTED]** will experience a substantial immediate dilution in **[REDACTED]** consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the **[REDACTED]**, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider **[REDACTED]** and issuing additional H Shares in the future. Purchasers of the H Shares may experience dilution in the net tangible asset value per H Share of their H Shares if we **[REDACTED]** additional H Shares in the future at a price which is lower than the net tangible asset value per H Share at that time.

Any possible conversion of our [REDACTED] Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the [REDACTED] of our H Shares.

All of our **[REDACTED]** Shares may be converted into H Shares and such converted Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon the completion of the relevant filing procedure, shares currently held on our **[REDACTED]** Share register may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the **[REDACTED]**, which could further increase the supply of our H Shares in the market and could negatively impact the **[REDACTED]** of our H Shares.

We cannot guarantee the accuracy of facts, forecasts and other statistics relating to regenerative medical device market and FSMP market contained in this document.

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

There is no assurance whether and when we will pay dividends, which is subject to restrictions under PRC law.

No dividend had been paid or declared by our Company during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

Dividends payable to investors and gains on the sale of our H Shares may be subject to PRC income taxes.

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

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us.

For Non-PRC individuals, gains realized through the transfer of properties are normally subject to PRC individual income tax at a rate of 20%. However, according to the Circular of the Ministry of Finance and the State Taxation Administration on Issues Concerning Individual Income Tax Policies (《財政部、國家税務總局關於個人所得税若干政策問題的通知》), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax for the time being. According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the STA (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) effective as of March 30, 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning

Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the State Taxation Administration should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the Ministry of Finance and the State Taxation Administration.

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

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

There remains uncertainty as to whether and how individual income tax or EIT on gains derived by holders of our H Shares from their disposition of our H Shares may be collected. Considering these uncertainties, non-resident holders of our Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers of the H shares. If any such tax is collected, the value of our H Shares may be materially and adversely affected.

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

Our management may spend the net proceeds from the **[REDACTED]** in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the **[REDACTED]** to, among other things, develop and register our product candidates, expand and upgrade our manufacturing facilities and upgrade our technology platform. See "Future Plans and Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this **[REDACTED]**.

Fluctuations in Renminbi exchange rates may lead to foreign exchange losses and materially and adversely affect our ability to pay dividends to holders of our H Shares.

We expect that a substantial majority of our revenue will be denominated in Renminbi. A portion of our revenues may be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. Shortages in availability of foreign currency may then restrict our ability to remit sufficient foreign currency to pay dividends or make other payments or otherwise to satisfy our foreign currency denominated obligations.

The proceeds from the **[REDACTED]** will be denominated in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the **[REDACTED]**. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

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

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

disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise.

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

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

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

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Currently, all of our executive Directors reside in the PRC and for the foreseeable future will not be ordinarily resident in Hong Kong. Our Group's business operations, management headquarter, senior management and assets are primarily conducted and located in the PRC, and it would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong, or to appoint additional executive Directors solely for the purpose of satisfying Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from compliance with Rules 8.12 and 19A.15 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, Mr. Zhang Xinming, our executive Director, chairman of our Board, our general manager and president, and Ms. Suen Ka Yan (孫嘉恩) ("**Ms. Suen**"), one of our joint company secretaries, who will act as our Company's principal channel of communication with the Stock Exchange. Ms. Suen is ordinarily resident in Hong Kong. Although Mr. Zhang Xinming resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire to travel to 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, facsimile 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] as a non-Hong Kong company under Part 16 of the Companies Ordinance and Ms. Suen 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 respective mobile phone numbers, office phone numbers, facsimile numbers and/or email addresses (where available) to our authorized representatives. In the event that a Director expects to 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 phone numbers, office phone numbers, facsimile numbers and/or email addresses (where available) to the Stock Exchange;

(c) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Altus 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. We will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the Compliance Advisor.

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules and Chapter 3.10 of the Guide issued by the Stock Exchange, the secretary of an issuer must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Chartered Governance Institute, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong); or (ii) an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

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

According to Chapter 3.10 of the Guide, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time, but in any case, will not exceed three years from the **[REDACTED]** (the "**Waiver Period**") and on the conditions that (i) the company secretary in question must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company.

We have appointed Mr. Zhang Qiang (張強) and Ms. Suen as our joint company secretaries. Mr. Zhang Qiang joined our Group as head of investment department in October 2024 and was appointed as our Board secretary in December 2024, where he has been primarily responsible for investment and financing management and legal affairs as head of investment department, and is mainly responsible for corporate governance as Board secretary of our Group. Our Directors are of the view that, having regard to Mr. Zhang Qiang's thorough understanding of the overall business operations and corporate governance matters of our Group, he is considered as a suitable person to act as a company secretary of our Company. In addition, as our headquarters and principal business operations are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Mr. Zhang Qiang as a company secretary whose presence in the headquarters of our Group enables him to attend the day-to-day corporate secretarial matters of our Group and to take the necessary actions in an effective and efficient manner.

However, given that Mr. Zhang Qiang does not possess any of the qualifications stipulated in Rule 3.28(1) of the Listing Rules nor the "relevant experience" set out in Rule 3.28(2) of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a **[REDACTED]** issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. In order to provide support to Mr. Zhang Qiang, we have appointed Ms. Suen, an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who is qualified under Rule 3.28 of the Listing Rules, to act as the other joint company secretary to closely work with and provide support to Mr. Zhang Qiang during the Waiver Period so as to enable Mr. Zhang Qiang to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties as a company secretary of a **[REDACTED]** issuer.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Zhang Qiang as our joint company secretary on the condition that Mr. Zhang Qiang will be assisted by Ms. Suen as our joint company secretary throughout the Waiver Period. Being an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited and by virtue of her experience in corporate secretarial practice, Ms. Suen is, in our Directors' opinion, a qualified and suitable person to render assistance to Mr.

Zhang Qiang so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties. In addition, Mr. Zhang Qiang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the Waiver Period. Our Company will further ensure that Mr. Zhang Qiang has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer **[REDACTED]** on the Stock Exchange.

Such waiver will be revoked immediately if and when Ms. Suen ceases to provide such assistance or our Company commits any material breaches of the Listing Rules during the Waiver Period. Before the expiry of such three-year period, we will liaise with the Stock Exchange to enable it to assess the then experience of Mr. Zhang Qiang, having had the benefit of Ms. Suen's assistance for three years, will have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See "Directors, Supervisors and Senior Management" for the biographical information of Mr. Zhang Qiang and Ms. Suen.

CONTINUING CONNECTED TRANSACTION

We have entered into, and are expected to continue to engage in, certain transactions which will constitute a non-exempt continuing connected transaction of our Company under the Listing Rules upon the **[REDACTED]**. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver in relation to such continuing connected transaction between us and certain connected person under Chapter 14A of the Listing Rules. See "Connected Transaction" for further details.

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

According to section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the 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.

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

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in the 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 the 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 the document a report prepared by our Company's auditor with respect to the profits and losses and assets and liabilities of our Company for each of the three financial years immediately preceding the issue of the document.

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

According to Rule 4.04(1) of the Listing Rules, the accountants' report contained in the document must include, among others, the results of the company in respect of each of the three financial years immediately preceding the issue of the document or such shorter period as may be acceptable to the Stock Exchange.

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

In compliance with the abovementioned requirements under the Listing Rules, the Accountants' Report set out in Appendix I to this document is prepared to cover the two financial years ended December 31, 2024.

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

As such, we [have applied] to the SFC for, and the SFC [has granted], a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding the inclusion of an accountants' report covering the full three financial years immediately preceding the issue of this document on the following grounds:

(a) we are a healthcare company engaged primarily in the R&D, manufacturing, and commercialization of regenerative medicine medical devices and foods for special medical purposes (FSMPs), 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 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this document pursuant to the relevant requirements;

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

(e) the Accountants' Report covering the two financial years ended December 31, 2024, together with other disclosures in this document, has already provided adequate and reasonable up-to-date information for the potential investors to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of our Company. Therefore, the exemption would not prejudice the interest of the investing public.

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhang Xinming (張新明)	31-3-1803 No.2 Longteng Zhengjie Wuhou District Chengdu, Sichuan Province PRC	Chinese
Dr. Fu Jie (付劼)	Room 303, Building 2 Furun Yuan Yihai Huayuan Fengtai District Beijing PRC	Chinese
Mr. Tang Haiwei (唐海威)	Room 4B, Building 1 Guocheng Garden, Baihua 1st Road Futian District Shenzhen, Guangdong Province PRC	Chinese
Non-executive Directors		
Mr. Li Qian (利虔)	No. 29, Chaoqian Road Changping District Beijing PRC	Chinese
Dr. Jiang Fei (姜非)	Room 1701 No. 528 Tiantong Road Hongkou District Shanghai PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Cheng Hoo (鄭豪)	7A, Tower 2, Mayfair By The Sea Phase 1, 23 Fo Chun Road Pak Shek Kok Tai Po Hong Kong	Chinese
Dr. Gong Tao (龔濤)	No.10, Unit 4, Zonggang Apartment No.29, South Section 2 2nd Ring Road, Chengdu, Sichuan Province PRC	Chinese
Ms. Zhang Xiaoyu (張曉宇)	13E, Building 4, Biling Huating, Taibai Road Luohu District Shenzhen, Guangdong Province PRC	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Cheng Huazhong (程華中)	36-902, Sanjiu Garden Qingshuihe Street Luohu District Shenzhen, Guangdong Province PRC	Chinese
Mr. Lyu Xuefu (呂學富)	Room 702, Unit 2, Building 2, Talent Apartment Shuyang County Economic Development Zone Jiangsu Province PRC	Chinese
Ms. Chen Wenjie (陳文潔)	Area A, Guiyuan South Yizhuang Town Economic and Technological Development Zone Beijing PRC	Chinese

For further information regarding our Directors and Supervisors, see "Directors, Supervisors and Senior Management".

PARTIES INVOLVED IN THE [REDACTED]

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

[REDACTED]

Legal advisors to our Company	*As to Hong Kong laws:* **Sidley Austin** Level 39, Two International Finance Centre 8 Finance Street Central Hong Kong

	As to PRC laws: **Zhong Lun Law Firm** 57/58/59/F, Tower A, Ping An Finance Centre 5033 Yitian Road, Futian District Shenzhen, Guangdong PRC
Legal advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong laws:* **Han Kun Law Offices LLP** Rooms 4301–10 43/F., Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC laws:* **Han Kun Law Offices** 20/F, Kerry Plaza Tower 3 1-1 Zhongxinsi Road Futian District, Shenzhen Guangdong PRC
Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 West Nanjing Road Jingan District Shanghai PRC

Independent property valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7th Floor One Taikoo Place 979 King's Road Hong Kong

[REDACTED]

CORPORATE INFORMATION

Headquarters and registered office in the PRC	No. 111, Youxian Road Wenjiang District Chengdu, Sichuan Province PRC
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Company's website	**http://www.dfyanmei.com** *(information on this website does not form part of this document)*
Joint company secretaries	**Mr. Zhang Qiang (張強)** No. 1566, Tianfu 1st Street, Wuhou District, Chengdu, Sichuan Province PRC **Ms. Suen Ka Yan (孫嘉恩)** *ACG (CS, CGP); HKACG (CS, CGP)* 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Authorized representatives	**Mr. Zhang Xinming (張新明)** 31-3-1803 No.2 Longteng Zhengjie Wuhou District Chengdu, Sichuan Province PRC **Ms. Suen Ka Yan (孫嘉恩)** 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Audit Committee	Ms. Zhang Xiaoyu (張曉宇) *(Chairman)* Mr. Cheng Hoo (鄭豪) Mr. Li Qian (利虔)
Remuneration Committee	Mr. Cheng Hoo (鄭豪) *(Chairman)* Dr. Gong Tao (龔濤) Dr. Jiang Fei (姜非)
Nomination Committee	Mr. Zhang Xinming (張新明) *(Chairman)* Dr. Gong Tao (龔濤) Ms. Zhang Xiaoyu (張曉宇)
Compliance advisor	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong

[REDACTED]

Principal banks

China CITIC Bank
Chengdu Wenjiang Sub-branch
No. 505, Fengxi Avenue North
Wenjiang District
Chengdu, Sichuan Province
PRC

China Construction Bank Corporation
Chengdu Wenjiang Sub-branch
No. 1, East Street
Wenjiang District
Chengdu, Sichuan Province
PRC

China Construction Bank Corporation
Jiangsu Shuyang Sub-branch
Northwest corner of the intersection of Suzhou
West Road and Xuefu South Road
Shuyang County
Suqian City, Jiangsu Province
PRC

The information and statistics set out int his section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the **[REDACTED]**. *The information from official government sources has not been independently verified by us, the Sole Sponsor,* **[REDACTED]**, *and any of their respective directors and advisers, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy, fairness and completeness.*

OVERVIEW OF REGENERATIVE MEDICINE MEDICAL DEVICE MARKET

Regenerative Medicine

Regenerative medicine is an interdisciplinary field dedicated to the research and application of methods aimed at restoring, maintaining, improving, or replacing the functions of tissues and organs that have been lost or damaged due to disease, injury, aging, or congenital defects. It is a cutting-edge field of medicine that utilizes the body's own healing abilities to treat disease and injury, helping repair damaged tissues and organs by activating and enhancing the body's natural healing processes, thereby improving the health of patients.

In recent years, the regenerative medicine segment has ushered in unprecedented development opportunities globally, and in China, regenerative medicine is also being supported and promoted by national policies. For instance, the *Outline of the 13th Five-Year Plan for National Economic and Social Development (2016–2020) (國民經濟和社會發展第十三個五年規劃綱要(2016–2020年) issued by National People's Congress in March 2016 emphasized the necessity to enhance the development of strategic industries and accelerate the development of synthetic biology and regenerative medicine technologies; the National Science and Technology Innovation Plan under the 13th Five-Year Plan ("十三五"國家科技創新規劃)* issued by the State Council in July 2016 provides the plan to focus on the study of key technologies related to major diseases, antiviral drugs, immunotherapy, gene therapy, and regenerative medicine, human microbiomes, and chronic diseases, and emphasize developing innovative drugs and biologics and building a globally competitive biopharmaceutical industry; and the *14th Five-Year Plan for National Clinical Specialty Capacity Building ("十四五"國家臨床專科能力建設規劃)* issued by the National Health Commission in October 2021 provides the plan to focus on results-oriented technological innovation and strengthens innovation in clinical diagnosis and treatment technologies and application achievements, particularly in cutting-edge fields such as regenerative medicine, precision medicine, and biomedical technologies.

The major applications of regenerative medicine include gene therapy, tissue engineering, and biomaterials, which can be perceived as the mainstreams of regenerative medicine. Regenerative medicine is usually embodied in end-products in the form of medical devices and cell-based therapeutic products (CTPs).

Biomaterials are key components in regenerative medicine applications especially in the replacement of damaged tissues and organs as well as the treatment of chronic diseases to restore normal body function. Biomaterials are designed to imitate the extracellular matrix and offer a scaffold for tissue formation, provide biological signals and physical support, and mobilize endogenous cells to repair tissues.

Regenerative Medicine Material-based Medical Device

Regenerative medicine material-based medical device market is a sub-segment under regenerative medicine market. Regenerative medicine material-based medical devices are those used to restore, replace, or reconstruct cells, tissues, or organs to treat or alleviate disease. These products typically involve biomaterials and tissue engineering techniques designed to promote tissue regeneration and repair.

- ***Regenerative medical material technology:*** Using the tissue-inducing properties of biomedical materials, biomedical materials with biocompatibility, safety, permeability, degradation and absorption, low host immune response, which can enhance cellular activity and promote tissue repair and regeneration, are implanted into the human body. The main application of regenerative medical material technology is in orthopedic repair, trauma repair and plastic surgery. Regenerative medicine material-based medical device mainly include regenerative medicine material-based injectables and regenerative medicine material-based medical dressing and patch.

- ***Tissue engineering technology:*** Obtain a small amount of living tissue from the organism, separate the cells from the tissue and culture and expand them in vitro, then mix the expanded cells with biomaterials according to a certain ratio to form a 'cell-material' complex, and implant the complex into the damaged part of the organism's tissues or organs, which will continuously proliferate and eventually form the corresponding tissues or organs, thus achieving the technology of repairing wounds and rebuilding functions.

  The complex is implanted into the diseased part of the organ or tissue, and then proliferates and eventually forms the corresponding organ or tissue, so as to achieve the technology of repairing trauma and rebuilding function. The main application of tissue engineering technology is reproduction and repair of human tissue, human organs, blood and nerve prostheses.

- ***Regenerative organ technology:*** Uses cells to create biologically active artificial organs that do not require external power such as batteries (current artificial organs are still battery-powered) and do not cause rejection of the transplanted organ by the patient. The main application of regenerative organ technology is organ reconstruction.

Regenerative Medicine Materials

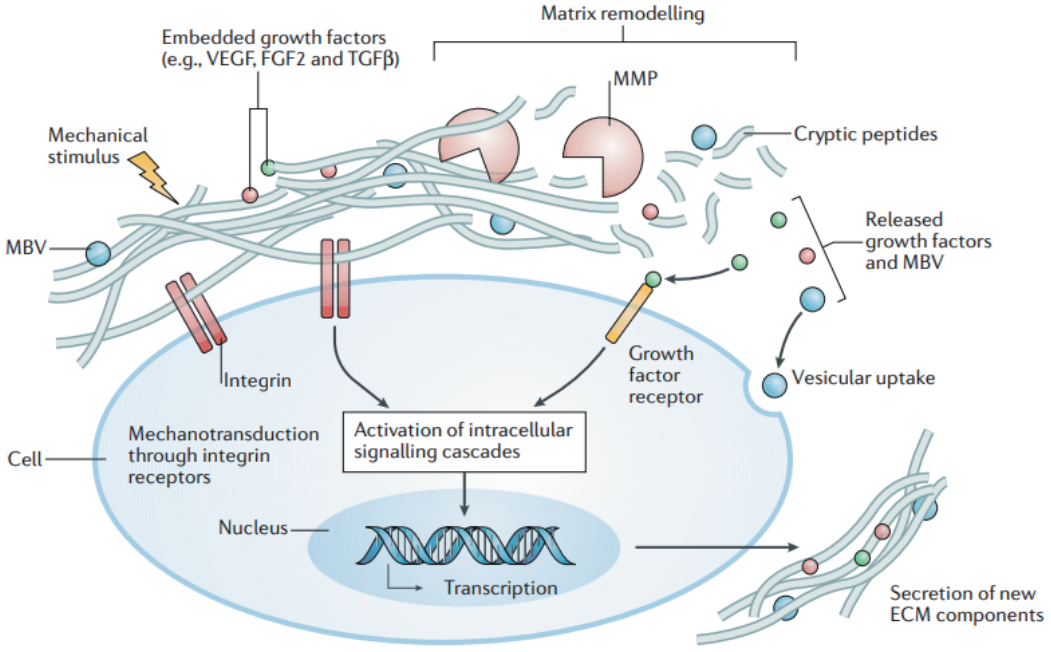
Regenerative medicine materials are biological materials that regenerate damaged tissues or organs by regulating molecular signals or cellular behavior through their own properties, promoting cell adhesion and migration without relying on added cells or active factors. Regenerative medicine materials are usually used in different kinds of regenerative medical devices, such as injectables, patches and dressings. The table below sets forth the major types of regenerative medicine materials.

Main Types	Representative Material	Characteristics
Natural Polymer Materials	Extracellular matrix (ECM)	The ECM contains intrinsic biochemical and mechanical cues that regulate cell phenotype and function in development, in homeostasis and in response to injury.
	Collagen	Collagen possesses a major advantage in being biodegradable, biocompatible, easily available and highly versatile.
Synthetic Polymer Materials	Polylactic acid (PLA)	PLA is a synthetic biopolymer that is widely used in the biomedical field due to its biodegradable, bioabsorbable, biocompatible, and nontoxic nature with good mechanical performance
	Polycaprolactone (PCL)	PCL has high biocompatibility with cells and improved therapeutic efficiency, which makes them appropriate for drug delivery, biocompatibility.
	Polymethyl Methacrylate (PMMA)	PMMA is extremely biocompatible, leading to the material finding use in various dentistry applications, including the fabrication of orthodontic removable appliances, orthodontic retainers, artificial teeth, and the repair of dental prostheses.

Main Types	Representative Material	Characteristics
Inorganic materials.	Hydroxy-apatite (HAp)	HAp has good biocompatibility, bioactivity and relatively simple synthesis protocols for the fabrication of nanoparticles with specific sizes and shapes.
	Bioactive glass (BG)	BG is a class of biocompatible, biodegradable, multifunctional inorganic glass materials. It can interact with biological systems by promoting osteogenesis, angiogenesis, and antibacterial activities.

Source: Literature Review, Frost & Sullivan Analysis

In addition to injectable regenerative materials in the form of microspheres, some regenerative medicine companies develop series of regenerative medicine material-based injectables based on extracellular matrix (ECM). ECM is an intricate network composed of a variety of multidomain macromolecules, organized in a manner specific to different cells and tissues. It mediates cell adhesion through cell adhesion molecules and integrins, and facilitates cell-to-cell communication by binding to cell surface receptors and regulating the release of growth factors, which in turn affect cell behavior, such as growth, migration, and differentiation. The graph below sets forth the mechanism of action of ECM-based medical injectables:



Notes:

(1) Provision of physical support and suitable environment: As a three-dimensional network structure, the ECM provides physical support and adhesion sites for cells, enabling them to be ordered and function in a specific space and creating suitable conditions for collagen synthesis and secretion.

(2) Regulation of cell signaling pathways: Cells convert mechanical stimuli from the ECM into biochemical activity through the binding and activation of integrin receptors, resulting in the activation of intracellular signaling pathways, activation of gene transcription and synthesis and secretion of ECM components.

(3) Release of bioactive molecules: During matrix remodeling, proteolytic degradation induced by matrix metalloproteinases (MMPs) results in the release of tethered growth factors and matrix-bound nanovesicles (MBVs), as well as the production of cryptic peptides. The released bioactive components can interact with cells to promote diverse cellular functions such as proliferation, migration and differentiation.

Source: Literature Review, Frost & Sullivan Analysis

Growth Drivers of Regenerative Medicine Material-based Medical Device Market

The major growth drivers of the global regenerative medicine material-based medical device market include the following:

- ***Enlarging patient population***: As the global population ages, there is a growing need for tissue and organ repair in the elderly population. According to WHO, the number of people aged 60 years and older will increase to 1.4 billion by 2030 and 2.1 billion by 2050. At the same time, the rising incidence of chronic diseases and cancers, is contributing to the continued growth in the demand for regenerative medicine medical devices for tissue repair and functional restoration.

- ***Regenerative technologies address unmet clinical needs***: Traditional therapies have limitations in the treatment of certain diseases. For example, for spinal cord injuries, although traditional physiotherapy and rehabilitation training are helpful, it is difficult to achieve regeneration of nerve cells and complete recovery of functions. Regenerative medicine medical devices offer new ways to address these unmet clinical needs, such as regenerative medicine material technology and tissue engineering technology, which combine biomaterials, cells, and growth factors to provide an ideal solution for tissue repair and regeneration.

- ***Favorable policie***s: The regenerative medicine medical devices market is significantly driven and influenced by national policies. For instance, in China, in order to promote the rapid development of the regenerative medicine medical devices market, various government agencies have enacted a number of policies in recent years. For example, the *14th Five-Year Plan for National Clinical Specialty Capacity Building* proposes to

support relevant specialties to innovate in major diseases affecting people's health and key technological areas such as regenerative medicine and biomedicine. At the same time, the state has issued a number of outlines, pointing out that it is necessary to deepen the reform of the review and approval system of medical devices, and accelerate the review and approval of medical innovative devices. Policies related to the national healthcare reform will promote innovation in the field of regenerative medicine medical devices and further benefit related industries in the future.

Future Trends of Regenerative Medicine Material-based Medical Device Market

The major future trends of the global regenerative medicine material-based medical device market include the following:

- ***Integration of multidisciplinary technologies***: Regenerative medicine medical devices will be deeply integrated with more cutting-edge technologies. For example, artificial intelligence technology can be used in the cell industry, material technology and formulation, tissue engineering design, etc. Through big data analysis and machine learning algorithms, cell culture conditions can be optimized, material properties can be predicted, and more accurate tissue engineering scaffolds can be designed, which will greatly promote the overall development of regenerative medicine.

- ***Accelerated clinical translation***: As regenerative medicine technology continues to mature, the clinical transformation of regenerative medicine medical devices will accelerate. More laboratory research results will be rapidly transformed into clinically usable products, providing patients with more effective treatments. The government and related organizations will also increase their support for the clinical transformation of regenerative medicine medical devices, including financial investment, policy support, and optimization of the approval process, in order to promote their widespread application in the clinic

- ***Expansion of application areas***: Orthopedics is currently one of the more mature areas for the application of regenerative medicine medical devices. In the future, the application fields of regenerative medicine will continue to expand, from traditional orthopedics to oral repair, skin regeneration, etc., regenerative medicine medical devices are gradually penetrating into more medical scenarios.

OVERVIEW OF REGENERATIVE MEDICINE MATERIAL-BASED INJECTABLES MARKET

Overview of Regenerative Medicine Material-based Injectables

Regenerative medicine material-based injectables are based on regenerative medicine materials, which are injected into the dermis and/or subcutaneous tissue, usually in the form of microspheres, to stimulate the regeneration of the body's own collagen. Regenerative medicine material-based injectables usually consists of two parts: (i) microspheres, which activate fibroblast activity in the skin, which in turn induces collagen and elastin fiber regeneration and improves skin densification, and (ii) carrier, which provides a physical filler effect at the beginning of the injection, then as the carrier degrades, the microspheres begin to act to stimulate collagen production.

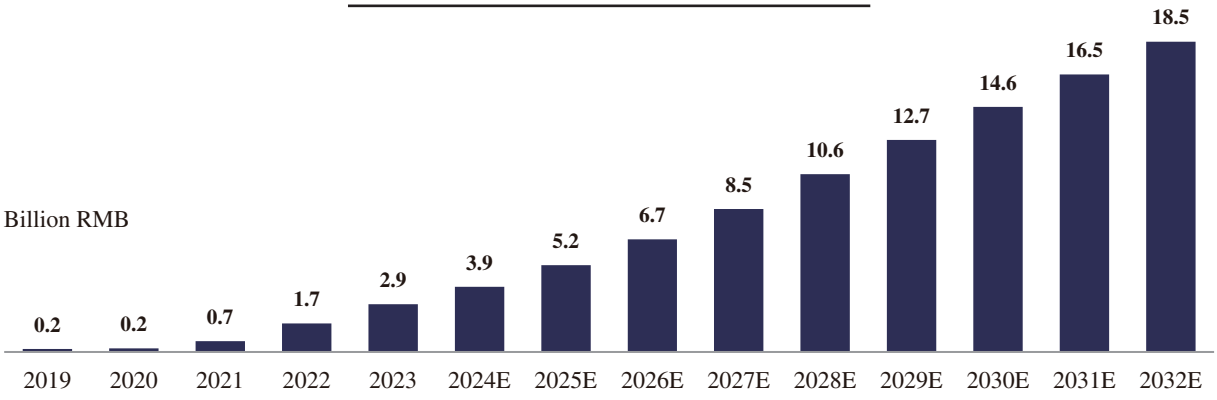
Regenerative medicine medical device such as regenerative medicine material-based injectables are usually classified as Class III medical device in China.

Market Size of Regenerative Medicine Material-based Injectables in China

The regenerative medicine material-based injectables market in China expanded from RMB0.2 billion in 2019 to RMB2.9 billion in 2023, representing a CAGR of 96.6% during this period. The rapidly growing market results from the expanding market demand and the continuous innovation of regenerative medicine material-based injectables. The regenerative medicine material-based injectables market is expected to generate RMB18.5 billion of revenue in 2032, representing a CAGR of 21.5% from 2024 to 2032.

Market Size of Regenerative Medicine Material-based Injectables in China, 2019–2032E

Period	CAGR
2019-2023	96.6%
2024E-2032E	21.5%



Note: Based on the ex-factory price. Due to the nature of the distribution chain of regenerative medicine material-based injectables, there is a relatively large gap between the terminal prices and the ex-factory prices.

Source: Frost & Sullivan Analysis

Entry Barriers of Regenerative Medicine Material-based Injectables Market

There are various entry barriers in the regenerative medicine material-based injectables market, including but not limited to (i) technological barriers; (ii) manufacturing barriers; (iii) regulatory barriers; and (iv) financial barriers.

- ***Technological barriers:*** Technological barriers in regenerative medicine material-based injectables pose challenges to new entrants. For example, microsphere preparation requires strict control over particle size as the size of microsphere particle directly affects the stimulatory effect of regenerative medicine material on collagen regeneration. Precise control of the particle size of the microspheres ensures effective regeneration with less inflammatory and hyperproliferative reactions.

- ***Manufacturing barriers:*** Production barriers stem from the lack of standardized equipment and the demanding nature of production processes. Existing equipment struggles to meet the precision and sterile production requirements needed for industrial-scale manufacturing, resulting in inconsistent product quality. In addition, the complexity of production processes requires skilled operators and advanced production management systems. Overcoming these barriers requires the development of standardized equipment and optimized processes to enhance efficiency, reduce costs, and promote the industry's large-scale growth.

- ***Regulatory barriers:*** The approval process for regenerative medicine material-based injectables is lengthy and complex, involving multiple phases such as preclinical studies, clinical trials, and product registration. Each phase requires extensive technical documentation and experimental data, which undergo stringent regulatory reviews. In addition, the approval phase is expensive and risky, and the clinical trial phase can cost millions to tens of millions of dollars.

  Regulatory authorities prohibits outsourcing the production of breast implants. This means that companies must build their own production lines to meet production requirements, which increases initial investment and operating costs.

  As injectables are used directly in the human body and involve high safety and ethical requirements, companies need to strictly comply with relevant national regulations to ensure compliance throughout the entire process from R&D to production. This includes the evaluation of product safety and efficacy, as well as strict control of the production process.

- ***Financial barriers:*** The long R&D process and high costs of regenerative medicine material-based injectables pose significant financial barriers. From material development and clinical trials to production validation and market promotion, each phase requires substantial financial investment. The industry's reliance on technological innovation increases the risk of R&D failure, exacerbating financial pressures. Small and medium-sized enterprises often lack the funds to sustain such high costs, while capital market investment remains uncertain due to long return cycles. Prolonged R&D and slow returns further strain companies, restricting new market entrants in the industry.

Growth Drivers of Regenerative Medicine Material-based Injectables Market

The major growth drivers of the global regenerative medicine material-based injectables market include the following:

- ***Growing market demand***: With the increasing emphasis on health and quality of life, people are no longer satisfied with traditional methods of anti-aging and disease treatment, and are willing to try more advanced and effective regenerative treatments. Meanwhile, according to data from the National Bureau of Statistics, the per capita disposable income of Chinese residents is rising year by year, improving people's accessibility to regenerative products, and the demand for regenerative medicine material-based injectables grows accordingly.

- ***Continuous technological advancement***: The continuous development and application of new biomaterials have provided strong support for the development of regenerative medicine material-based injectables. For example, some materials with good biocompatibility, degradability and bioactivity have been developed, such as extracellular matrix, which can better stimulate cell proliferation, differentiation and tissue regeneration, while reducing the risk of immunogenicity and adverse reactions. Meanwhile, advanced preparation processes can improve the quality and performance of regenerative medicine material-based injectables, thereby driving continued market growth. For example, the development of microsphere technology allows for more precise release of the active ingredients in the injections, prolonging the duration of action and improving the therapeutic effect.

- ***Policy support and regulatory improvement***: The government has been paying increasing attention to the field of regenerative medicine, and has introduced a series of supportive policies, including funding for scientific research projects and accelerated approval of clinical trials, which provide policy protection for the research and development and marketing of regenerative medicine material-based injectables. Meanwhile, regulatory authorities are also improving the regulatory system for regenerative medicine products to ensure the safety and effectiveness of the products, creating a favorable environment for the healthy development of the market.

Meanwhile, the regenerative medicine material-based injectables can cover most of the functions and main advantages of highly cross-linked hyaluronic acid injectables with a number of advantages over the latter. For instance, regenerative medicine material-based injectables have a longer maintenance period of time as they can promote the body's own collagen, elastin fiber regeneration, etc. Furthermore, the main components of regenerative medicine material-based injectables have good biocompatibility and can be completely degraded, while highly cross-linked hyaluronic acid injectables contain cross-linking agent which are not easy to completely degrade, be metabolized or absorbed. The residuals, which are common after the application of highly cross-linked hyaluronic acid injectables, will lead to allergic reaction. Highly cross-linked hyaluronic acid injectables are also easy to shift when over-injected or under strenuous exercise.

In the future, the regenerative medicine material-based injectables may gradually replace highly cross-linked hyaluronic acid injectables to become the mainstream of injectable anti-aging medical devices.

Competitive Landscape

Overview of approved regenerative medicine material-based injectables globally

The following table sets forth regenerative medicine material injectable products offered by respective major players as at the Latest Practicable Date.

Company	General name	Regenerative Medicine Material	Auxiliary Ingredients	Indications	Approval Agency	First approved year
Hafod Bioscience	Collagen and PMMA Subcutaneous Implant System	PMMA	Bovine collagen, Lidocaine HCl	nasolabial folds	EMA	1996
					NMPA	2002
Merz Aesthetics	Radiesse Injectable Implant	calcium hydroxylapatite	Glycerol, CMC-Na, sterile water	moderate to severe facial wrinkles	EMA	2004
					FDA	2006
					NMPA	2025
	Injectable Implant for Soft Tissue Augmentation	calcium hydroxylapatite	CMC-Na, sterile water	stress urinary incontinence (SUI)	FDA	2005
Suneva Medical	Bellafill Dermal Filler	PMMA	Bovine collagen, phosphate, Lidocaine HCl, Sodium chloride	nasolabial folds	FDA	2006
				moderate to severe, atrophic, distensible facial acne scars		2015
Q-Med AB	Poly-L-lactic acid implant for injection	PLLA	CMC-Na, Mannitol	midface volume loss and/or midface contour defects	FDA	2009
					NMPA	2024
AQTIS Medical	Polycaprolactone Gel for Injection	PCL	Glycerol, CMC, Phosphate	moderate to severe nasolabial fold wrinkles	EMA	2009
					KDFA	2013
					NMPA	2021
REGEN Biotech	Polylactic acid facial filler	PDLLA	CMC-Na	moderate to severe nasolabial fold wrinkles	KFDA	2014
					NMPA	2024

Company	General name	Regenerative Medicine Material	Auxiliary Ingredients	Indications	Approval Agency	First approved year
OsDerma Medical	Composite Calcium Phosphate Bone Implant Material	HAp	β-Tricalcium phosphate	non-weight bearing bone defects	NMPA	2015
Beijing YHJ Science and Trade	Hydroxyapatite Bioceramics	HAp	β-Tricalcium phosphate, calcium carbonate	Bone defect repair or filling	NMPA	2015
Imeik Technology Development	Medical Polyvinyl Alcohol Gel Microsphere and Sodium Hyaluronate-Hydroxypropyl Methylcellulose Gel	PVA	SH, CMC, BSS	moderate-to-severe forehead wrinkles and moderate-to-severe nasolabial wrinkles	NMPA	2016
	Cross-linked sodium hyaluronate gel containing levulinic acid-glycol copolymer microspheres	PLLA-PEG	Cross-linked SH, Lidocaine HCl, Phosphate	moderate to severe nasolabial fold wrinkles	NMPA	2021
	Medical cross-linked sodium hyaluronate gel containing polyvinyl alcohol microspheres	PVA-CL	Cross-linked SH, Lidocaine HCl, BSS	mild to moderate chin retraction in adults	NMPA	2024
Baiamon Bioactive Materials	Hydroxyapatite Bioceramics	HAp	N/A	Bone defect repair or filling	NMPA	2017
Beierkang Biomedical	Hydroxyapatite Bioceramics	HAp	N/A	non-weight bearing bone defects	NMPA	2018
Changchun SinoBiomaterials	Polylactic acid facial filler	PLA	CMC-Na, Mannitol	moderate to severe nasolabial fold wrinkles	NMPA EMA	2021 2021

Company	General name	Regenerative Medicine Material	Auxiliary Ingredients	Indications	Approval Agency	First approved year
Shandong Caicai Medical	Polycaprolactone microspheres facial filler for injection	PCL	Glycerol, CMC, Phosphate	moderate to severe nasolabial fold wrinkles	NMPA	2024
Puliyan Medical	Polylactic acid facial filler	PLLA	CMC-Na, Mannitol	moderate to severe nasolabial fold wrinkles	NMPA	2024
Meiyan Space Biotechnology.	Polycaprolactone microspheres facial filler for injection	PCL	Glycerol, CMC, Phosphate	moderate to severe nasolabial fold wrinkles	NMPA	2025

Source: NMPA, FDA, EMA, KFDA, Frost & Sullivan Analysis

Note: PVA=Polyvinyl alcohol, PLLA-PEG=Poly-L-lactic acid-polyethylene glycol, PVA-CL=Cross-linked Polyvinyl alcohol, PLA=Polylactic acid, PCL=Polycaprolactone, SH=Sodium Hyaluronate, HPMC=Hydroxypropyl Methyl Cellulose, BSS=Balanced Salt Solution, Cross-linked SH=Cross-linked Sodium Hyaluronate, Lidocaine HCl=Lidocaine Hydrochloride, CMC-Na=Carboxymethylcellulose Sodium and CMC=Carboxymethyl Cellulose, HAp=Hydroxyapatite

Overview of clinical-stage regenerative medicine material-based injectables in China

The following table sets forth major regenerative medicine material injectable products under development as at the Latest Practicable Date.

Company	General name	Regenerative Medicine Material	Indications	Phase
Jilin Folialux Bio-Tech	Poly-L-lactic acid facial fillers	PLLA	moderate to severe forehead wrinkles	Registration application stage
Jiangsu Xihong Biopharmaceutical .	Poly-L-lactic acid microsphere filler for injection	PLLA	moderate to severe nasolabial wrinkles	Registration application stage
Changchun SinoBiomaterials . .	Polylactic acid facial filler	PLA	striae gravidarum	Clinical trial stage

Company	General name	Regenerative Medicine Material	Indications	Phase
Tianjin MaidiWeimei Technology	Polylactic acid sodium hyaluronate filler for injection	PLA	nasolabial wrinkles	Clinical trial stage
Lepu Medical Technology	Polylactic acid dermal filler	PLA	nasolabial wrinkles	Clinical trial stage
Heyan Medical.	Poly-L-lactic acid microsphere filler for injection	PLA	nasolabial wrinkles	Clinical trial stage
Shanghai Weimu Medical.	sodium hyaluronate gel containing poly(L-lactic acid) microspheres	PLLA	nasolabial wrinkles	Clinical trial stage

Source: Chinese Clinical Trial Register, literature review, Frost & Sullivan Analysis

Future Trends of Regenerative Medicine Material-based Injectables Market

The major future trends of the global regenerative medicine material-based injectables market include the following:

- ***Continuous product optimization***: Companies will continue to explore and develop new biomaterials. In addition to the currently common polylactic acid and polycaprolactone, more materials with special properties will be applied to regenerative medicine material-based injectables, such as those with better bioactivity, adjustable degradation rate and stronger histocompatibility, in order to meet the regenerative needs of different tissues. Companies will also continue to improve the preparation of regenerative medicine material-based injectables to more accurately control the release rate and duration of action, increasing therapeutic efficacy and reducing side effects. For example, microfluidic technology can precisely control the formation process of microspheres to achieve uniformity and stability of microsphere particle size.

- ***Expansion of application areas***: In addition to existing functions such as promoting collagen regeneration, future regenerative injections may have more comprehensive regenerative capabilities, such as stimulating the proliferation and differentiation of

multiple cell types simultaneously. Additionally, regenerative medicine material-based injectables are currently used mainly in the face, and are expected to be expanded to the neck, hands, intimate areas, etc. in the future.

- ***Regulatory strengthening and refinement***: As the market for regenerative medicine material-based injectables continues to expand, the regulatory authorities will further strengthen the supervision of such products and formulate stricter and more detailed regulations and standards to ensure the safety and effectiveness of the products. Strict control will be exercised over all aspects of product development, production and sales to regulate the market order.

OVERVIEW OF REGENERATIVE MEDICINE MATERIAL-BASED MEDICAL DRESSING AND PATCH MARKET

Overview of Medical Dressing and Medical Patch

Medical dressing products refers to the role of physical cover barrier, used for wound care, hemostasis or absorption of wound exudate, also used for surgical procedures to support organs, tissues, etc., or for medical purposes to help improve or assist in preventing the formation of pathological scarring of the skin products. Medical patches are medical devices used to repair and strengthen tissue defects in the human body and are widely used in surgical procedures. They are usually employed to provide a support structure for tissue repair and to help restore tissue integrity and function.

Classification of Medical Dressing and Medical Patch

Medical dressings are classified according to their material characteristics, structural features, expected use, and form of use, among other factors, to determine the medical device classification. The following table provides the product characteristic and representative product for Class I, Class II and Class III medical device classifications for medical dressings.

Classification	Product Characteristics	Representative Product
Class I	• Adhesive bandages, which are usually in sheet or roll forms, are composed of adhesive-coated substrates, absorbent pads, anti-adhesion layers and peelable protective. (Contains ingredients that have no pharmacological effect and are not absorbed by the body).	Traditional gauze and bandages

Classification	Product Characteristics	Representative Product
Class II.	• The product forms a protective layer on the surface of the wound, acting as a physical barrier or absorbing exudate or draining water from the wound, providing a microenvironment for wound healing. (Contains ingredients that are not absorbed by the body) • The product is usually a gel, liquid, or dressing containing polydimethylsiloxane. It is a medical scar dressing used to assist in improving pathological skin scars and to assist in preventing the formation of pathological skin scars.	Recombinant collagen dressing and zeolite powder dressing
Class III	• Medical dressings containing ingredients that can be fully or partially absorbed by the body • Medical dressings with anti-adhesion properties • Medical dressings for chronic wounds on the surface of the body or for wound care in the body.	Biological dressing and alginate dressing

Source: NMPA, Frost & Sullivan Analysis

According to the field of application, medical patches can be generally classified into soft tissue repair patch, hernia repair patch, dura mater repair patch.

- ***Soft tissue repair:*** For the repair of tissue defects, e.g. rotator cuff, meniscus, cartilage, ligaments, etc.

- ***Hernia repair:*** For inguinal hernia, femoral hernia, abdominal wall hernia and other types of hernia repair surgery. For example, patches for inguinal hernias are typically designed to cover the inguinal canal, effectively preventing hernia contents from protruding.

- ***Dura mater repair:*** When the dura mater is defective due to trauma or surgery, dura mater repair patches are needed to prevent complications such as cerebrospinal fluid leakage and infections, as well as to support dura mater regeneration.

Medical patches can also be generally classified by its patch material, including synthetic material patch and biomaterial patch as shown as follows:

Material	Representative Product	Advantages
Synthetic material	Polypropylene patch	Great strength and anti-tension properties, able to withstand intra-abdominal pressure, so widely used in hernia repair surgery
	Polyester patch	Good flexibility, and their woven structure allows them to adhere well to tissues.
	Polytetrafluoroethylene patch	Good biocompatibility and anti-adhesion properties. It reduces adhesion to surrounding tissues and is more commonly used in scenarios with high adhesion requirements, such as intra-abdominal surgery
Biomaterial	Acellular dermal matrix patch	Good biocompatibility and tissue induction, able to guide the migration, proliferation and differentiation of host cells and promote tissue regeneration
	Small intestinal submucosa patch	It contains a variety of growth factors and collagen, among other ingredients. It promotes cell adhesion, growth and tissue remodeling.

Source: Literature Review, Frost & Sullivan Analysis

Advantages of Regenerative Medicine Material-based Medical Dressing and Patch

Regenerative medicine material-based medical dressing and patch are based on the concept of regenerative medicine, combining multidisciplinary technologies such as biomaterials science and tissue engineering, and is used to promote wound healing and tissue regeneration. Unlike traditional medical dressings that mainly focus on wound coverage, exudate absorption and infection prevention, regenerative medicine material-based medical dressing are able to actively participate in the wound healing process by providing scaffolds for cell growth, growth factors and other means to stimulate and guide tissue repair and regeneration. Unlike traditional medical patches that mainly focus on mechanical support, regenerative medicine material-based medical patches are designed to induce the tissue's own regenerative capacity and help restore the structure and function of damaged tissue. Regenerative medicine material-based medical dressing and patch have the following advantages:

- ***High Capacity to promote tissue regeneration:*** Traditional medical dressings, such as gauze dressings, mainly provide physical protection, which absorbs blood and tissue fluids exuded from the wound. In terms of promoting wound healing, traditional dressings mainly provide a relatively clean environment for the wound to heal naturally. In contrast, regenerative medicine material-based medical dressings are rich in growth factors, extracellular matrix proteins and other components, which can provide a scaffolding environment for cell migration, proliferation and differentiation similar to the natural tissues in the body, with the function of actively promoting wound healing. For example, during the wound healing process, fibroblasts can grow on the scaffolding provided by the regenerative medicine material-based medical dressing, secreting collagen and accelerating the formation of granulation tissue. The presence of growth factors can stimulate cell activity, promote the proliferation and migration of epithelial cells, and accelerate wound healing.

  Traditional medical patches are mostly made of synthetic materials, such as polypropylene, polyester, polytetrafluoroethylene, etc. These materials are manufactured through chemical synthesis processes and have a stable chemical structure, which mainly plays the role of mechanical support but does not or seldom participate in the regeneration process of cells and tissues. Regenerative medicine material-based medical patches, are usually derived from natural biological tissues or biomaterials, such as acellular dermal matrix patch retains extracellular matrix components, which form a three-dimensional scaffolding structure that provides physical guidance for cell migration. Meanwhile, growth factors in ECM, such as vascular endothelial growth factor (VEGF) and fibroblast growth factor (FGF), play a key role in cell proliferation.

- ***High biocompatibility:*** Traditional medical dressings are mainly made of natural fiber materials such as gauze and cotton. These materials are usually regarded by the body as relatively 'foreign' when they come into contact with human tissues. Traditional medical patches, such as polypropylene, are easily recognized by the body's immune system as foreign substances due to their chemically synthetic nature. For example, polypropylene patches implanted in the body may trigger a local inflammatory response, the long-term presence of which can lead to symptoms such as tissue fibrosis, affecting the quality of life of patients.

  Regenerative medicine material-based medical dressings and patches, containing natural biological tissue or containing bioactive components, can interact well with human tissue and have good biocompatibility. For example, extracellular matrix components can bind with host cell surface receptors, guide cell migration, proliferation and differentiation, promote tissue regeneration and repair, and reduce inflammatory reactions and immune rejection.

- ***Wider application scenarios:*** Traditional medical dressings are widely used in the initial care of various acute wounds, such as surgical incisions and minor abrasions. These wounds usually heal relatively quickly, and the requirements for dressings are mainly to maintain cleanliness and prevent infection. Regenerative medicine material-based medical dressings are suitable for chronic wounds, such as diabetic foot ulcers, as well as some wounds that require higher quality of healing, such as burn wounds, plastic surgery wounds and so on. Regenerative medicine material-based medical dressings can be used to accelerate healing by promoting cell proliferation, angiogenesis and other mechanisms in response to their difficult-to-heal characteristics.

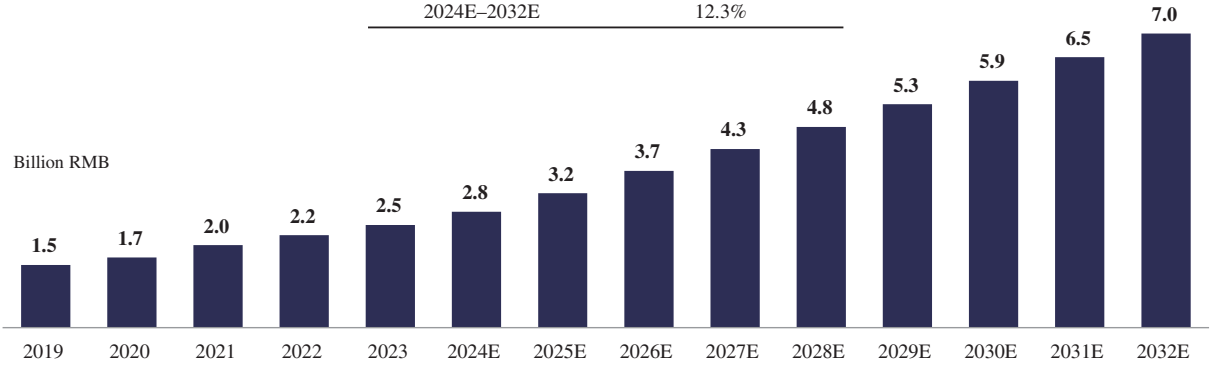
  Traditional patches are now widely used in hernia repair, abdominal wall reconstruction. However, due to the limitations of biocompatibility and tissue repair mechanism, the application is limited in the fields with high requirements for tissue regeneration and functional recovery. Regenerative medicine material-based medical patches are suitable for a variety of scenarios requiring tissue regeneration and functional reconstruction, such as burns plastic surgery, breast reconstruction.

Market Size of Regenerative Medicine Material-based Medical Dressing and Patch in China

The regenerative medicine material-based medical dressing and patch market in China expanded from RMB1.5 billion in 2019 to RMB2.5 billion in 2023, representing a CAGR of 13.2% during this period. The regenerative medicine material-based medical patch market is expected to generate RMB7.0 billion of revenue in 2032, representing a CAGR of 12.3% from 2024 to 2032. As the regenerative medicine material-based medical dressing and patch market gradually matures, with increasing penetration rates and intensifying competition, the growth rate of the regenerative medicine material-based medical dressing and patch market will gradually slow down.

Market Size of Regenerative Medicine Material-based Medical Dressing and Patch in China , 2019–2032E

Period	CAGR
2019–2023	13.2%
2024E–2032E	12.3%



Note: Based on the ex-factory price

Source: *Frost & Sullivan Analysis*

Entry Barriers of Regenerative Medicine Material-based Medical Dressing and Patch Market

The major entry barriers of regenerative medicine material-based medical dressing and medical patch market include the following:

- ***Technical Barriers***: Enterprises need to continuously develop and optimize new materials with good biocompatibility, degradability, antimicrobial and moisturizing properties, such as new collagen, chitosan and other modification and compounding technologies to meet the needs of different wound healing, which requires companies to have in-depth knowledge of materials science and research and development capabilities. The industry requires multidisciplinary and complex talents, including people with professional backgrounds in materials science, biology, medicine and chemistry, to work together in product development, production and quality control.

- ***Production Barriers***: The production of regenerative medicine material-based medical dressings and patches involves multiple stages of material extraction, purification and preparation, it requires strict conditions of cleanliness, temperature and humidity in the production environment, and precise production equipment and process control to ensure stable product quality and performance. For example, the treatment of natural biological materials, such as decellularization, requires precise control of parameters such as concentration of chemical reagents and treatment time to effectively remove cellular components while preserving the structure and biological activity of the extracellular matrix.

- ***Brand Barriers***: There are already a number of mature products in the regenerative medicine material-based medical dressing and patch market with high brand awareness and customer stickiness, and new entrants need to have advantages in product quality, performance, price, etc.; at the same time, new entrants need to improve brand awareness through a large number of academic promotions, clinical application case presentations, etc., so as to gain market share.

Growth Drivers of Regenerative Medicine Material-based Medical Dressing and Patch

The major growth drivers of regenerative medicine material-based medical dressing and medical patch market include the following:

- ***Technical Barriers:*** The incidence of chronic diseases shows an upward trend with age, and the deepening aging population further contributes to the increase in the morbidity of chronic diseases. Chronic diseases are characterized by long- term illness, numerous complications, and great difficulties in cure, which brings about a rise in the demand for regenerative medicine material-based medical dressing and patch. For example, the elderly are more prone to diabetic foot ulcers and other diseases, which need long-term use of medical dressings and patches for treatment and care. Traditional dressings for such chronic wounds can merely serve as a covering for isolation and cannot aid in wound healing. In contrast, regenerative medicine material-based medical dressings contain ingredients that promote tissue regeneration while providing a breathable, sterile environment that reduces bacterial growth and promotes tissue formation.

- ***Continuous technological advancement***: The continuous research and development and application of new materials, such as biodegradable materials, endow medical dressings and patches with better biocompatibility, breathability, moisture retention and antibacterial properties, which can effectively promote wound healing and reduce scar formation, meeting the higher requirements of patients for wound treatment, thus, promoting the growth of the market.

- ***Increased demand for high-end products***: Due to the increase of income, the elevation of living standards, and the transformation of the sense and concept of health care, people are gradually putting forward higher requirements for the usage experience and quality of medical dressings and patch. The materials used in regenerative medicine material-based medical dressing and patch are often selected for their high biocompatibility. They are less likely to trigger an immune response or cause inflammation compared to some traditional dressing and patch. Increased demand for high-end products bring new growth points to regenerative medicine material-based medical dressing and patch, from low-end products to high-quality areas of development, change the industry market structure and fierce competition in the low-end areas of the unhealthy situation, drive the transformation and upgrading of the medical dressing and patch industry.

Future Trends of Regenerative Medicine Material-based Medical Dressing and Patch

The major future trends of regenerative medicine material-based medical dressing and medical patch market include the following:

- ***Material Innovations***: Future regenerative medicine material-based medical dressings and patches will focus more on bioactivity and degradability. Bioactive materials can actively interact with human tissues, promote cell adhesion, proliferation and differentiation, and accelerate tissue repair and regeneration. Biodegradable materials can be gradually absorbed and metabolized by the body after wound healing or tissue repair is completed, reducing the patient's pain and the possibility of infection. In order to cope with the ever-increasing market competition, differentiation and diversification will become a new trend in the development of regenerative medicine material-based medical dressing and patch market.

- ***Expansion to New Clinical Areas***: The application fields of regenerative medicine material-based medical dressings and patches will continue to expand. In addition to the current common wound healing areas such as skin wounds, burns, ulcers, etc., regenerative medicine material-based medical dressings will also be more widely used in cardiovascular, neurological, orthopedic and ophthalmic; in addition to the areas such as general surgery, cardiothoracic surgery, regenerative medicine material-based medical patches will used for bone tissue regeneration, cornea repair.

OVERVIEW OF FOODS FOR SPECIAL MEDICAL PURPOSES MARKET

Overview of Foods for Special Medical Purposes (FSMPs)

Food for Special Medical Purposes (FSMP) are the formulated foods specially processed and prepared to meet the special demands of nutrients or diets for persons with limited food intake, digestive and absorption disorders, metabolic disorders or specific diseases, including powders or liquid formula foods designed for infants (from the age of 0 to 12 months) with special medical conditions such as special disorders or diseases. FSMP can be categorized into two categories: one for individuals over one year old and another for infants with the age of 0 to 12 months, both to be used under the guidance of healthcare professionals to ensure the safety and efficacy of nutritional support.

FSMP for individuals over one year old generally comprise of (i) nutritionally complete formula, (ii) specific nutritionally complete formula and (iii) non-nutritionally complete formula. Nutritionally complete formulas can serve as the sole nutrition source to meet the dietary needs of the target population. Specific nutritionally compete formula which can be used as the sole nutrition source tailored to meet the nutritional needs of the target population in specific diseases or medical conditions, such as diabetes, respiratory diseases, kidney diseases, tumor and liver disease. Non-nutritionally complete formula which can satisfy part of the nutritional requirements of the target population and are not intended to be used as the sole nutrition source, such as nutrient components, electrolyte formulas, thickening components, fluid formulas, and formulas for amino acid metabolism disorders.

Advantages of FSMPs

FSMPs have the following major advantages:

- ***Facilitates recovery after surgery or illness:*** FSMPs provide tailored nutritional solutions to meet the special needs arising from illnesses or medical conditions. With precisely formulated nutrients, FSMPs contribute to faster recovery and thus potentially shorter hospital stays. For example, after gastrointestinal surgery, FSMPs that are easy to digest and absorb, like elemental or semi-elemental formulas, can provide necessary nutrients without over-taxing the digestive system. Elemental formulas contain amino acids, simple sugars, and medium-chain triglycerides that can be absorbed directly in the small intestine, allowing the gut to heal while still receiving nutrition.

- ***Customizability:*** FSMPs can be tailored to individual patient needs. For example, in the case of food allergies, formulas can be developed that exclude the allergenic ingredients. If a patient is intolerant to lactose, lactose — free FSMPs are available. There are also

FSMPs designed for different age groups. For infants with congenital metabolic disorders, specialized infant formulas can provide the necessary nutrients while avoiding substances that the baby's abnormal metabolism cannot handle.

- ***Economic advantage:*** The economic benefits of FSMP are reflected in their ability to reduce the overall costs of the healthcare system. By reducing hospital stays and readmission rates, FSMPs contributes to lower medical expenses, including costs associated with hospitalization, surgeries, and long-term care. Moreover, fewer complications mean fewer additional medical interventions and treatments, which also translates to cost savings. In the long term, these economic benefits of FSMP can lead to significant cost savings for patients, families, and the healthcare system.

- ***Nutritional support for Chronic and Severe Diseases***: FSMPs are specifically formulated to meet the unique dietary needs of patients with chronic or severe conditions such as diabetes, cancer, or gastrointestinal disorders. These products help address nutritional deficiencies that arise from disease progression or treatments like chemotherapy. Malnutrition is a common problem among hospitalized patients, and FSMP, as a key component of clinical nutritional therapy, can effectively prevent and improve malnutrition, reduce the incidence of complications and speed up recovery.

- ***Synergistic Effects of FSMPs and Medications***: The use of FSMP in conjunction with medicines has shown significant synergistic effects in the treatment of a wide range of diseases, which can improve the effectiveness of treatment, reduce the number of medicines used, shorten the length of hospital stays, reduce medical costs and improve the quality of life of patients. For example, patients with uremia can effectively slow down the process of kidney function loss by taking alpha-ketoacid tablets together with low-protein FSMP.

Comparisons of FSMPs and Other Products

FSMPs have different functions compared to drugs, health foods and foods and beverages. FSMPs are specially formulated foods to meet the special demands of nutrients or diets for persons with limited food intake, digestive and absorption disorders, metabolic disorders or specific diseases for individuals with specific medical conditions or nutritional deficiencies. In comparison, drugs are used for the prevention, treatment, or diagnosis of diseases and for regulating physiological functions, including Chinese medicine, chemical drugs, and biological products, for clinical use in treating diseases, disease prevention or diagnosis. Health foods claim to have specific health functions or for the purpose of supplementing vitamins, minerals and other nutrients, but they are not intended to treat disease and does not present any acute, sub-acute or chronic hazards to the human body. Health foods are for specific populations to adjust bodily

functions. Foods and beverages for general consumption, including traditional or herbal foods (excluding therapeutic substances), providing nutrition and for maintaining basic health which are suitable for general populations.

Overview of Specific Nutritionally Complete Formula

Specific nutritionally complete formula refers to FSMP that can serve as the sole nutritional source to meet the nutritional needs of target populations under specific diseases or medical conditions. Common specific nutritionally complete formulas cover a variety of diseases and medical conditions, including diabetes, respiratory diseases, kidney diseases, tumor, liver diseases, muscle wasting syndrome, as well as stress states such as trauma, infection, and surgery. They also include special circumstances like inflammatory bowel disease, food protein allergies, intractable epilepsy, gastrointestinal absorption disorders, pancreatitis, fatty acid metabolism abnormalities, and conditions related to obesity and bariatric surgery. Currently, the State Administration for Market Regulation has only issued technical guidelines for clinical trials of specific nutritionally complete formulas related to diabetes, kidney disease and oncology as follows:

Type	Definition	Target population	Nutritional requirements
Nutritionally complete formulas for diabetes	FSMP that can be used as the sole nutrition source to meet the nutritional needs of people with diabetes mellitus or hyperglycemia-related diseases for a specific disease or medical condition.	Patients over 10 years old with diabetes	Protein energy ratio of 10-20% should not be less than 0.90g/100kJ (3.75g/100kcal). The fat energy ratio should be 20-35% and the content should not be higher than 1.33g/100kJ (5.56g/100kcal).
Nutritionally complete formulas for kidney disease . . .	FSMP that can be used as the sole nutrition source to meet the nutritional needs of patients with kidney disease. The formula adjusts the levels of protein and electrolytes to meet the nutritional needs of chronic kidney disease patients with dialysis or non-dialysis based on their different nutrient requirements.	Patients over 10 years old with kidney disease	For non-dialysis chronic kidney disease patients, the protein content of the formula should be no higher than 0.65g/100kJ (2.7g/100kcal) For patients on dialysis treatment, the protein content of the formula should be not less than 0.8g/100kJ (3.3g/100kcal).

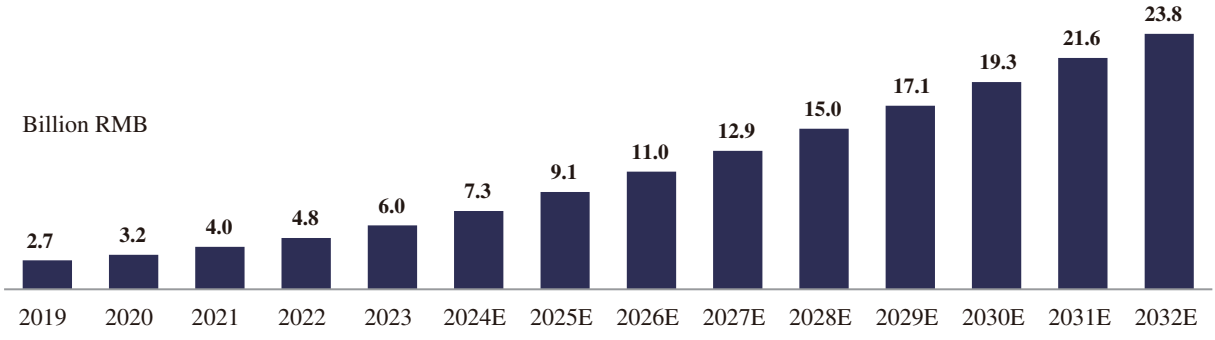
Type	Definition	Target population	Nutritional requirements
Nutritionally complete formulas for cancer	FSMP that can be used as the sole nutrition source to meet the nutritional needs of cancer patients and is suitable for the metabolic characteristics of cancer patients.	Patients over 10 years old with tumor	Protein content should not be less than 0.96g/100kJ (4.0g/100kcal) The fat energy ratio should be 25%-50%, and the energy ratio of n-3 fatty acids (in terms of EPA and DHA) should be 1%-6%, with EPA content of not less than 50%.

Market Size of FSMP Industry

The FSMP expanded from RMB2.7 billion in 2019 to RMB6.0 billion in 2023, representing a CAGR of 17.2% during this period. The FSMP market is expected to generate RMB23.8 billion of revenue in 2032, representing a CAGR of 15.9% from 2024 to 2032. As the FSMP market gradually matures, with increasing penetration rates and intensifying competition, the growth rate of the FSMP market will gradually slow down.

Market Size of Food for Special Medical Purpose in China, 2019–2032E

Period	CAGR
2019–2023	17.2%
2024E–2032E	15.9%



Note: Based on the ex-factory price

Source: *Frost & Sullivan Analysis*

Government Policy Towards FSMP Industry

There are government policies in the PRC which regulates the safety, registration and marketing of FSMP products. In March 2016, the NMPA promulgated the Administrative Measures for the Registration of Food for Special Medical Purposes (《特殊醫學用途配方食品註冊管理辦法》) ("**Administrative Measures for the Registration of FSMP**") implementing strict requirements on food safety, product registration, procedures to ensure product quality safety and clinical effectiveness, encouraging enterprises to research and develop urgently needed products, continuing the expansion and accessibility of FSMPs to populations with special needs. In December 2023, the SAMR promulgated an updated version of the Administrative Measures for the Registration of FSMP, where a priority review and approval procedure was set up, and the review time limit for rare diseases and new types of FSMP in urgent clinical need was reduced from 90 to 30 working days. In addition, the on-site inspection time limit for clinical trials was reduced by ten working days to improve the efficiency of product registration, emphasizing clinical needs for FSMPs and encouraging enterprises to develop products that for diseases in urgent clinical need, continuously expanding the accessibility of populations with special needs.

There are further guidelines and policies on production an standardization of FSMPs, encouraging innovation and growth of FSMP industry, including the National Standards for Food Safety General Principles for Infant Food for Special Medical Purposes (《食品安全國家標準特殊醫學用途嬰兒配方食品通則》) from the Ministry of Health of the PRC in December 2010, National Standards for Food Safety General Principles for Food for Special Medical Purposes (《食品安全國家標準特殊醫學用途配方食品通則》) from the National Health and Family Planning Commission of the PRC in December 2013, General Rules of Food Production License Review (2022 Edition) (《食品生產許可審查通則(2022版)》) in October 2022 and Guidelines for FSMP identification (《特殊醫學用途配方食品標識指南》) in December 2022, both from the State Administration for Market Regulation, Guiding Opinions on cultivating traditional superior food producing areas and local specialty food industry (《關於培育傳統優勢食品產區和地方特色食品產業的指導意見》) from Ministry of Industry and Information Technology of the PRC in March 2023 and Work Program for Stabilizing Growth in Light Industry (2023–2024) (《輕工業穩增長工作方案(2023–2024年)》) from Ministry of Industry and Information Technology, National Development and Reform Commission and Ministry of Commerce in July 2023.

Entry Barriers of FSMP Industry

The major entry barriers of FSMP industry include the following:

- ***Technological Barriers***: The research and development of FSMP needs to integrate the knowledge of nutrition, medicine, food science and other disciplines, the enterprise needs to have an interdisciplinary R&D team, able to comprehensively apply the theories and technologies of various disciplines for product research and development.

  Especially for people with specific diseases or medical conditions, such as diabetes, kidney disease, tumors, etc., it is necessary to precisely match the metabolic characteristics and nutritional needs of patients with specific diseases. In the case of specific nutritionally complete formulas for diabetes, for example, it is more difficult to precisely adjust the type, content and proportion of carbohydrates, and to add special nutrients that help blood sugar control.

- ***Clinical Trial Barriers***: According to Administrative Measures for the Registration of FSMP, when registering FSMP, materials indicating product safety, nutritional adequacy and clinical effects of special medical purposes should be submitted. Among them, the application for registration of specific nutritionally complete formula needs to conduct clinical trials and submit clinical trial reports. Due to the specificity of the diseases of the applicable population, the design of clinical trials for specific nutritionally complete formula is complex and demanding, and require a large investment of time, manpower and funds, which in turn affects the number of approved products. By the end of 2024, only one specific nutritionally complete formula has been approved in China.

- ***Regulatory Barriers***: China implements strict registration and approval management for FSMP, enterprises need to follow the Administrative Measures for the Registration of FSMP and other regulations, after a complex registration process, including the submission of applications, technical review, on-site verification, etc., the whole cycle takes about 18-36 months.

  In addition, according to the Rules for Examination of Production License for Food for Special Medical Purposes (《特殊醫學用途配方食品生產許可審查細則》), enterprises are required to meet a series of strict production license conditions, such as the establishment of a sound quality management system, with appropriate production equipment and facilities, professional technicians and inspectors, etc.

- ***Market Perception Barriers***: The domestic market of FSMP starts relatively late, and the public awareness of it is low. Many people are not clear about the differences between FSMP and common foods, health products and medicines, as well as the important role of FSMP in disease treatment and rehabilitation.

  There are also deficiencies in the knowledge and understanding of FSMP among doctors, dieticians and other professionals, and there is a lack of systematic training and education to provide accurate guidance and advice to patients.

Growth Drivers of FSMP Industry

The major growth drivers of the FSMP industry include the following:

- ***Increasing market demand***: By the end of 2023, China's population aged 65 and above will account for 15.4%. The elderly population is an important consumer group of FSMP, and with the deepening of aging, the market size of FSMP is expected to grow further as an important support for supplemental nutrition and treatment of chronic diseases for the elderly population.

  China has a large population of infants and young children, some of whom require special medical use infant formulae due to their special physique or illness. In addition, hospitalized patients, especially those with serious illnesses, have a strong need for nutritional supplementation.

- ***Favorable Policy***: The development of FSMP industry has shown strong driving force with policy support. For example, 'The planning outline of Healthy China 2030, and 'the National Nutrition Programme 2017–2030' clearly put forward the vigorous development of the nutrition industry, promote the formation of scientific dietary habits of the population, and accelerate the development of functional food to meet the needs of specific populations, which points out the direction of the FSMP industry. In addition, the newly revised Administrative Measures for the Registration of FSMP optimizes the registration management process, shortens the registration time of urgently needed products and lowers the threshold for product listing by setting up a priority review and approval mechanism, encouraging enterprises to increase investment in research and development, and accelerating the marketisation process of new products. These policy initiatives have created a favorable development environment for the FSMP industry and have significantly contributed to the rapid growth of the industry.

- ***Changing Disease Spectrum and Individualized Nutritional Needs***: The disease landscape is tilting towards an increased prevalence of chronic diseases like diabetes. In China, for instance, the number of diabetes patients is substantial and still growing. These chronic conditions often require dietary adjustments and nutritional support that are precisely catered to the disease characteristics. With its specialized nutrient formulations, FSMPs are essential in managing these diseases, thus driving the growth of the FSMP industry.

  Modern lifestyles, characterized by high-stress, irregular diets, and lack of exercise, often lead to obesity, metabolic syndrome and intestinal disorders. Some people may be deficient in certain nutrients due to long – term picky eating or excessive dieting, while others may need additional nutrients to cope with the effects of stress and overwork. FSMP can be tailored to the specific needs of different populations and provide targeted nutritional interventions, making them an important addition to health management.

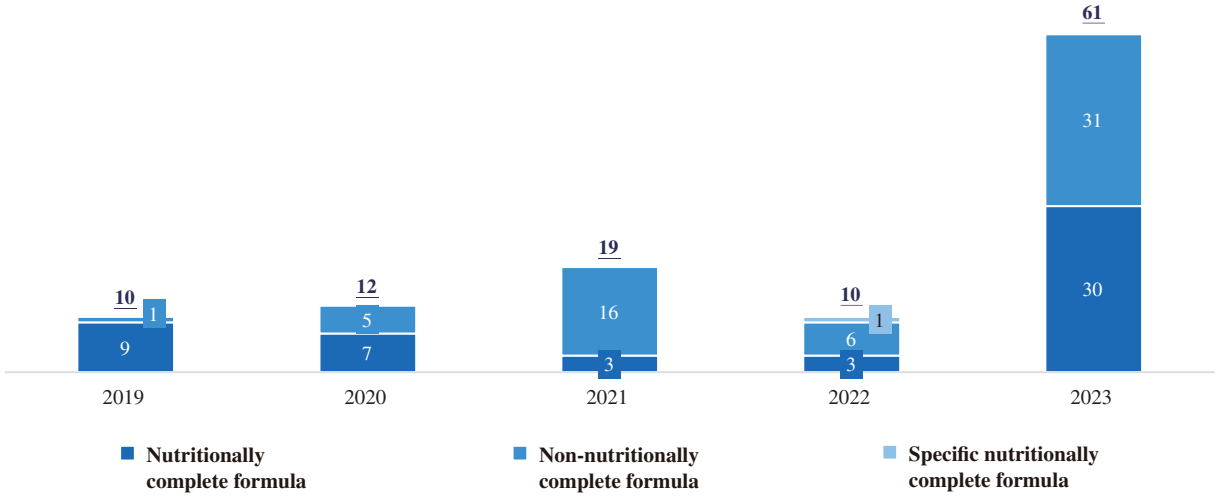
Number of FSMPs Approved in China (2019 to 2023)

In recent years, China's market regulators have been making efforts to enhance the accessibility of FSMP. Specifically, in the area of research and development as well as registration, they have taken a series of actions, including revising the relevant administrative measures, optimizing the workflow, shortening the review time frame, and implementing priority review and approval for new types of FSMP for rare diseases and those in urgent clinical need.

Since the implementation of Administrative Measures for the Registration of FSMP, there has been an overall increasing trend in the number FSMP approved each year.

The following shows a chart of marketed FSMPs for all ages except for infants aged 0–12 months classified by product type from 2019 to 2023:

Marketed Food for Special Medical Purpose for Individuals Over One Year Old, classified by product type, 2019–2023



Notes: Based on the ex-factory price.

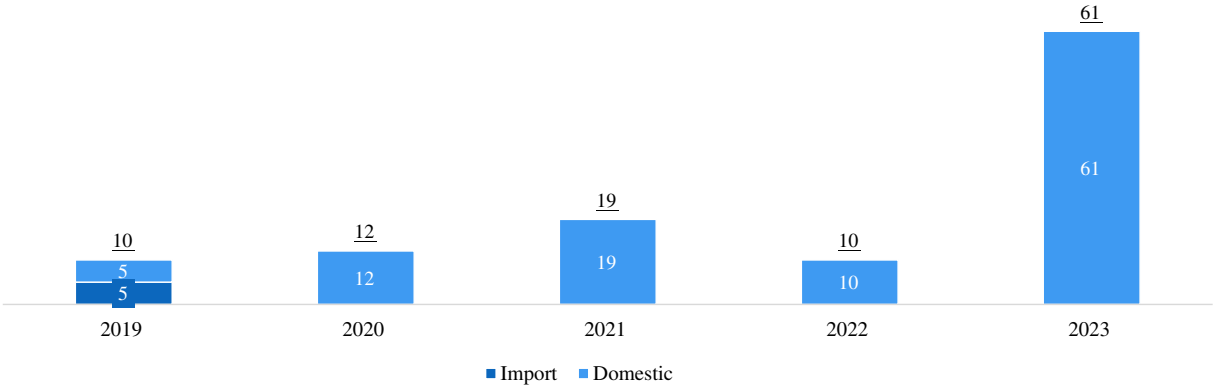
Source: *Frost & Sullivan Analysis*

FSMPs were first introduced into the Chinese market as enteral nutrition preparations in the early 1970s, where foreign companies such as Nestle and Abbott dominated the Chinese market by virtue of their early layout and technological advantages. In 2016, the Administrative Measures for the Registration of Food for Special Medical Purposes (《特殊醫學用途配方食品註冊管理辦法》) was promulgated in China, and the number of domestic FSMPs increased at a rapid pace with the enhancement of domestic scientific research and policy support. By the end of 2023, the total number of marketed FSMP in China had reached 164, of which the number of newly marketed FSMP for individuals over one year old increased to 61 in 2023. Among the marketed FSMP for individuals over one year old, the number of domestic products accounts for more than 90%.

In the context of China's favorable policy guidance and as science and technology continues to progress, the domestic FSMP manufacturing enterprises are expected to continue to develop their product technology and increase the share of domestically produced products in the overall market.

The following shows a chart of marketed FSMPs classified by domestic and imported FSMPs from 2019 to 2023:

Marketed Food for Special Medical Purpose for Individuals Over One Year Old, classified by domestic and imported, 2019–2023



There is a large market potential of FSMPs in China considering its significantly lower penetration rate as compared with other major markets such as the United States. In the United States, over 60% of malnourished patients are using FSMPs while less than 5% of malnourished patients in China are using FSMPs.

Future Trends of FSMP Industry

The major future trends of FSMP industry include the following:

- ***Technological innovation to promote product upgrading***: Through genetic testing and other means of analyzing the metabolic characteristics of individuals, it is possible to accurately determine the nutrients that patients are deficient in and the ingredients that they are intolerant of, and then tailor-make special medical food formulas for them. For example, for lactose intolerant people, low-lactose or lactose-free foods can be developed based on their genetic characteristics.

  In addition, the emergence of advanced formulation technologies such as controlled-release technology, microencapsulation, and targeted delivery technology led to remarkable improvements in the stability and bioavailability of FSMP.

- ***Increase of approved specific nutritionally complete formula***: Currently, of the more than 200 approved FSMP, only one approved specific nutritionally complete formula. In 2019, the State Administration for Market Regulation released the 'Technical Guiding Principles for Clinical Trials of Specific Nutritionally Complete Formula Foods for Diabetes, Kidney Disease, and Tumor'. Relevant enterprises have already conducted clinical trials in accordance with the guidance of this principle. With the release of more detailed and diversified principles for specific nutritionally complete formulas in the future, more types and quantities of specific nutritionally complete formulas will successfully pass the clinical trial stage. It is expected that the number of approved specific nutritionally complete formulas will grow rapidly within 5 years.

- ***Increased in-hospital demand***: Currently, the Governments of Hebei, Sichuan and Jiangsu have issued drafts for the incorporation of FSMP into the regular hospital billing system. In addition, FSMP will be included in the reimbursement of medical insurance because of their clinical nutritional importance to patients. For example, Zhejiang Province has included FSMP for phenylketonuria in medical insurance coverage. As the status of FSMP in hospitals becomes clearer, the use of FSMP in hospitals will become more common and more patients will be able to obtain more befitting nutritional sustenance by FSMP into their treatment regimens.

Major Global FSMP Market Leaders

There are four major global FSMP market leaders, being Nestlé, Abbott, Nutricia and Fresenius Kabi.

- Nestlé established Nestlé Health Science in 2011, specializing in FSMP, health foods and other innovative nutritional products. Since then, Nestlé has continued to increase its investment in the FSMP sector and has gradually become a leader in the industry. Nestle's extensive line of FSMP products covers a wide range of age groups, including infants, children and adults, and involves a number of disease areas such as allergy prevention, nutritional support for premature infants, oncology, diabetes, and kidney disease. For example, Su Yi Su (速熠素) by Nestle is the first and only marketed specific nutritionally complete FSMP in China for patients aged 10 years and older with tumor-related conditions.

- Abbott acquired the rights to manufacture the infant formula Similac through the acquisition of M&R Dietetics in 1964, laying the groundwork for its entry into the FSMP industry. In recent years, Abbott has continued to increase its research and development and market investment in FSMP. for example, the new generation of Ensure are designed to provide adults with 32 vital nutrients including high protein, calcium, and vitamin D and is clinically proven to improve muscle strength in 90 days, and has significantly increased its protein content to better meet the nutritional needs of elderly and rehabilitation populations. Abbott has a total of eight approved FSMP in China. These include two nutritionally complete formulas and six infant formulas.

- Nutricia has a full range of FSMPs, covering infants, children, adults and other age groups and specific disease states. As of the end of 2024, Nutricia has a number of products that have passed domestic registration approval, including Neocate, Infatrini and Pepti Junior. For example, Neng Quan Li Yi Jia (能荃力益嘉), which is developed by developed by Danone Nutricia specifically for consumers aged 10 years and older. The product features a tailored nutritional formula designed to meet the dietary needs during the recovery period. At the same time, it addresses the "compliance problem" often encountered in recovery nutrition through innovative flavors and convenient ready-to-drink formats.

- Fresenius Kabi has been in the Chinese clinical nutrition market for more than 30 years and is currently the only manufacturer in China that provides a full range of enteral and parenteral nutrition products. In May 2020, Fresenius Kabi SSPC Pharmaceuticals launched an FSMP program in China with a whole nutrition management product system from parenteral and enteral nutrition drugs to FSMPs, which are continuously improved to meet individual needs of patients and consumers for nutritional products at different stages. De Rui Tai (德瑞太), which is developed by Fresenius Kabi, is China's first approved nutritionally complete, peptide-based liquid oral product featuring 100% hydrolyzed whey protein. This peptide-based formula FSMP is highly suitable for patients with digestive and absorption disorders aged 10 years and older, thanks to its high nutrient absorption rate, good tolerance, and high safety. Available in a cappuccino flavor, it effectively masks the bitter taste of traditional short peptides, making it suitable for oral intake.

OVERVIEW OF HYALURONIC ACID INJECTION PRODUCTS MARKET

Overview of Hyaluronic Acid

Hyaluronic acid (HA) is a polymer mucopolysaccharide composed of N-acetylglucosamine and D-glucuronic acid, which is widely distributed in the vitreous body, joints, umbilical cord, skin and other parts of human body. HA exists naturally in human skin, and as one of the main matrix components of epidermis and dermis, it can increases hydration in the skin, and help to bind water to collagen, trapping it in the skin, so that skin can appear plumper, dewier, and more hydrated. Furthermore, HA can prevent skin aging or wrinkles. At the same time, HA also has the role of promoting the absorption of nutrients, preventing and repairing skin damage and improving skin metabolism. However, the hyaluronic acid will be lost with age, resulting in decreased skin moisture retention ability, loss of elasticity and luster, and wrinkles and other aging phenomena.

In terms of application scenarios, hyaluronic acid on the market is mainly used for (i) injection filling to improve wrinkles, (ii) preventing post-operative adhesions and reducing scar formation, (iii) providing intra-articular lubrication to treat joint pain such as osteoarthrisis of the knees, and (iv) used as a viscoelastic agent in ophthalmic surgery.

Possible Solutions to Issues Relating to Highly Cross-Linked Hyaluronic Acid Injectables

Highly cross-linked hyaluronic acid (CL-HA) has biocompatibility issues, immune response risks and degradation issues. It has been found that injected CL-HA may remain in the skin for over 12 months, during which time fibroblast activation and collagen accumulation persist, and may be overfilled or locally uneven. Highly cross-linked hyaluronic acid might affect the biocompatibility of the product and induce an immune reaction by the body to the injected HA gel. Higher degrees of cross-linking usually require more cross-linking agents, and cross-linking agents may not be fully metabolized by the body, which poses certain safety risks (may cause adverse reactions such as redness, swelling and pain)

Solutions include precise control of injection depth and dosage, optimization of cross-linking agents and cross-linking density to improve biocompatibility and minimize the incidence of adverse reactions. Complications caused by excessive hyaluronic acid accumulation can be avoided by precisely controlling the depth and amount of injection. Regular follow-up of patients receiving long-term CL-HA injections to detect changes in skin tissue and possible side effects. Through chemical modification, enzymatic hydrolysis resistance and stability of hyaluronic acid can be improved. For example, through thiolation or photo crosslinking techniques, the resistance of hyaluronic acid to enzymatic degradation can be enhanced while maintaining its biocompatibility. The use of highly efficient cross-linking techniques can minimize the amount of cross-linking agent used while ensuring high cross-linking efficiency, thus reducing side effects.

Future Trends of Hyaluronic Acid Injectables Market in China

The growing popularity of hyaluronic acid has led to an emergence of unintended irregular trades offering hyaluronic acid at reduced prices. In response, relevant regulatory authorities have tightened regulations and oversight in the hyaluronic acid market, promoting industry standardization. Currently, hyaluronic acid-based medical devices are classified as Class III medical devices, subject to enhanced regulatory and safety standards. This has promoted a healthier, regulation-compliant industry.

With the continuous innovation of biotechnology and fine chemical technology, the hyaluronic acid production process is developing towards higher purity, larger scale and lower cost. For example, the durability, biocompatibility and safety of hyaluronic acid products have been significantly enhanced through improved extraction techniques, optimized purification processes and the development of new cross-linking technologies; relevant enterprises are also exploring new cross-linking technologies and molecular weight regulation technologies to improve the competitiveness of their products.

Hyaluronic acid has a clear development trend in the strategy of joint use. For example, hyaluronic acid injections with regenerative agent components can make comprehensive use of the timely filling effect of hyaluronic acid and the long-term regenerative ability of regenerative medicine materials to achieve better therapeutic effects.

Our business operations are subject to the laws, regulations and policies of the PRC and extensive supervision by the Chinese government. The following descriptions set out the relevant PRC laws, regulations and policies we must comply with:

MAJOR REGULATORY AUTHORITIES OF PHARMACEUTICAL INDUSTRY

The pharmaceutical industry in the PRC is mainly administered by three governmental agencies — namely, the National Medical Products Administration (國家藥品監督管理局) (the "**NMPA**"), a department under the State Administration for Market Regulation (國家市場監督管理總局), the National Health Commission (國家衛生健康委員會) (the "**NHC**") and the National Healthcare Security Administration (國家醫療保障局) (the "**NHSA**").

The NMPA, which inherits the drug supervision function from its predecessor, the China Food and Drug Administration, is the primary drug regulator in the PRC. It is responsible for overseeing nearly all key stages of the life-cycle of pharmaceutical products, including non-clinical researches, clinical trials, marketing approvals, manufacturing, advertising and promotion, distribution and pharmacovigilance. The Center for Drug Evaluation of the NMPA (國家藥品監督管理局藥品審評中心) (the "**CDE**") is the technical evaluation unit for drug registration with NMPA. It is mainly responsible for the acceptance and technical evaluation on the applications of drug clinical trials and drug marketing approval.

The NHC, formerly known as the National Health and Family Planning Commission of the PRC, is the PRC's chief healthcare regulator. It is primarily responsible for drafting national healthcare policy and regulating public health, medical services, and health contingency system, coordinating healthcare reform, and overseeing the operation of medical institutions and practicing of medical personnel.

The NHSA, established in May 2018, is responsible for drafting and implementing policies, plans and standards relating to medical insurance, maternity insurance and medical assistance. It administers healthcare fund, formulates uniform medical insurance catalogs and payment standards on drugs, medical disposables and healthcare services, and oversees the formulation and administration of bidding and tendering policies for drugs and medical disposables.

REGULATIONS RELATING TO MEDICAL DEVICES

Classification of Medical Devices

According to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), promulgated by the State Council on January 4, 2000, and effective from April 1, 2000, last amended on February 9, 2021 and came into effect on June 1, 2021, the NMPA

shall be responsible for the supervision of medical devices within the territory of the PRC. All relevant departments of the State Council shall be responsible for the supervision of medical devices according to their respective mandate. The NMPA at the county level and above are responsible for the supervision of medical devices within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for supervising medical devices according to their respective mandates.

Medical devices in the PRC are categorized into three groups based on their degree of risk. Class I medical devices pose a low degree of risk and is safe for routine use while maintain their efficacy. Class II medical devices pose a moderate degree of risk and whose safety and efficacy should be ensured through strict control and administration. Class III medical devices pose a high degree of risk and must be ensured through strict control and administration by special measures to ensure safety and efficacy.

Registration and Record-Filing of Medical Devices

According to the Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》), promulgated by the SAMR on August 26, 2021 and came into effect on October 1, 2021, the NMPA is responsible for the nationwide administration of medical device registration and record-filing.

In the PRC, record-filing is required for Class I medical devices and registration is required for Class II and Class III medical devices. Record-filing parties of domestic Class I medical devices shall submit record-filing materials to the drug regulatory authorities at cities with municipal districts. Domestic Class II medical devices shall be examined by the drug regulatory authorities of provinces which shall issue the medical device registration certificate upon approval. Domestic Class III medical devices shall be examined by the NMPA which shall issue the medical device registration certificate upon approval.

Good Clinical Trial Practice for Medical Devices

The Good Clinical Trial Practice for Medical Device (《醫療器械臨床試驗質量管理規範》), which was promulgated jointly by the NMPA and the NHC on March 24, 2022 and came into effect on May 1, 2022, governs the entire medical device clinical trial process, including protocol design, implementation, monitoring, auditing and inspection, as well as data collection, recording, storage, analysis, summary and reporting. Clinical trials of medical devices shall be carried out in clinical trial institutions and only for medical devices that meet the corresponding conditions and have gone through requisite record-filing processes. Clinical trials of medical devices are required

to be approved by an ethics committee. For Class III medical devices, the approval of the NMPA is also required, and the clinical trial shall be carried out in a qualified Class III Grade A medical institution.

The sponsor of a medical device clinical trial shall establish a quality management system covering the whole process of the clinical trial of medical device to ensure the clinical trial complies with relevant laws and regulations and protect the rights and interests and safety of subjects.

Research and Clinical Evaluation of Medical Devices

In accordance with Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》), the research and development and experiments of medical devices shall be in compliance with the relevant laws, regulations and mandatory standards of China.

According to the Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》), promulgated by the SAMR on August 26, 2021 and came into effect on October 1, 2021, clinical evaluation shall be conducted for the registration or record-filing of medical devices, and clinical evaluation materials shall be submitted when applying for the registration of medical devices. Clinical evaluation of medical devices may be carried out through clinical trials or analysis and evaluation of clinical literature materials and clinical data of medical devices of the same kind to prove the safety and effectiveness of medical devices in light of product characteristics, clinical risks, existing clinical data and other circumstances. Clinical trials shall be carried out for medical devices for which the existing clinical literature materials and clinical data are insufficient to confirm their safety and effectiveness in the clinical evaluation of medical devices. Clinical trials for medical devices shall be conducted in clinical trial institutions for medical devices that meet the corresponding conditions and have been filed for record as required by the good clinical practice (GCP) for medical devices.

However, clinical evaluation of a medical device may be exempted when: (1) the medical device has a clear mechanism of action, a finalized design and a mature production process, and the medical devices of the same type have been used in clinical use for years without record of serious adverse events, and the new medical device does not deviate from the general purpose of the medical device with an established clinical record; or (2) if the safety and efficacy of the

medical device can be proved through non-clinical evaluation. Where clinical evaluation is exempted, a submission of clinical evaluation materials is not required. The catalogue of medical devices exempted from clinical evaluation shall be formulated, adjusted and published by the NMPA.

The Guidelines for the Clinical Evaluation Techniques for Medical Devices (《醫療器械臨床評價技術指導原則》), promulgated by the NMPA on September 18, 2021, primarily introduces the concepts of clinical assessment and clinical evidence, elucidating the relationships among clinical trials, clinical data, clinical assessment, and clinical evidence. It guides applicants on how to conduct clinical evaluations, compile associated documentation, and incorporate them as integral components of the conformity assessment, as well as aims to instruct regulatory authorities on how to assess the clinical evidence submitted by applicants.

Production of Medical Devices

According to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Measures on the Supervision and Administration of Medical Devices Production (《醫療器械生產監督管理辦法》), which was promulgated by the SAMR on and effective from July 20, 2004, latest amended on March 10, 2022 and came into effect on May 1, 2022, in order to engage in the production of medical devices, an entity shall meet the following conditions: (1) having the production site, environmental conditions, production equipment and professional technicians that meet the needs of the medical devices to be produced; (2) having the facility or full-time personnel and testing equipment capable of testing the quality of the medical devices to be produced; (3) having a system of internal control that can ensure the quality of medical devices; (4) having the after-sale service capabilities that meet the needs of the medical devices to be produced; and (5) having the capability to meet the requirements as prescribed in the documents on product research and development and production techniques.

To engage in the production of Class II and Class III medical devices, an entity shall apply for a manufacturing licensing to the drug regulatory department of the people's government of the province where it is located and submit the relevant materials and the registration certificate of the medical devices to be produced. The manufacturing permit for medical devices is valid for five years. When it is necessary to renew the permit upon its expiration, the formalities for renewal shall be completed in accordance with the relevant laws on administrative licensing.

Operation of Medical Devices

According to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》), promulgated by the SAMR on July 30, 2014

and effective from October 1, 2014, latest amended on March 10, 2022 and came into effect on May 1, 2022, a business operator shall file for record with the drug regulatory department of the government for the business operation of Class II medical devices and apply for operation licensing for the business operation of Class III medical devices. Furthermore, no business operator or using entity of medical devices may operate or use medical devices that have not been registered or filed for record in accordance with the law, or medical devices without conformity certificates, or expired, invalidated or obsolete. The valid period of the operating permit for medical devices is five years. Where it is necessary to renew the permit upon its expiration, the formalities for renewal shall be observed in accordance with the provisions of relevant laws on administrative licensing.

Post-marketing Responsibility about Medical Devices

In accordance with Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), a registrant or record-filing party of medical devices shall establish a monitoring system for adverse events of medical devices (醫療器械不良事件監測體系), be equipped with a monitoring body and personnel for adverse events suitable for its products, take the initiative to monitor adverse events of its products, and report the information on investigation, analysis, evaluation and product risk control to the technical monitoring agency for adverse events of medical devices in accordance with the provisions of the drug regulatory department under the State Council. The manufacturers or business operators and using entities of medical devices shall assist the registrant or record-filing party of medical devices in monitoring adverse events of the medical devices produced, operated or used by them; if any adverse event of medical devices or suspicious adverse event is found, it shall be reported to the technical monitoring agency for adverse events of medical devices in accordance with the provisions of the drug regulatory department under the State Council.

In accordance with Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》), a registrant of medical devices shall take the initiative to carry out post-marketing research, further confirm the safety, effectiveness and quality controllability of the medical devices and strengthen the continuous management of the medical devices on the market.

REGULATIONS RELATING TO ONLINE DRUG INFORMATION SERVICES

According to the Measures for Administration of Drug Information Services on the Internet (《互聯網藥品信息服務管理辦法》), which was promulgated by CFDA on July 8, 2004 and was amended on November 17, 2017, the internet drug information service refers to the activities of providing medical information (including medical devices) to internet users through the internet, and where any website intends to provide internet drug information services, it shall, prior to

applying for an operation permit or record-filing from the State Council's department in charge of information industry or the telecom administrative authority at the provincial level, file an application with the provincial FDA, and shall be subject to the examination and approval thereof for obtaining the qualifications for providing internet drug information services. The validity term for a Qualification Certificate for Internet Drug Information Services is five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority. Pursuant to the Measures for Administration of Drug Information Services on the Internet, the internet drug information services are classified into two categories, namely, profit-making services and non-profit-making services. Profit-making services refers to that of providing internet users with drug information in return for service fees whilst non-profit-making services refers to that of providing internet users with drug information which is shared and accessible by the public through the internet free of charge. Furthermore, the information relating to drugs shall be accurate and scientific in nature, and its provision shall comply with the relevant laws and regulations. No product information of stupefacient, psychotropic drugs, medicinal toxic drugs, radiopharmaceutical, detoxification drugs and pharmaceutics made by medical institutions shall be distributed on the website. In addition, advertisements relating to drugs, including advertisements relating to medical devices, shall be approved by the administration departments of CFDA, and shall specify the approval document number.

REGULATIONS RELATING TO ONLINE SALES OF MEDICAL DEVICE

On December 20, 2017, the CFDA promulgated the Measures for Supervision and Administration of Online Sales of Medical Devices (《醫療器械網絡銷售監督管理辦法》), or the Online Medical Devices Sales Measures, which became effective on March 1, 2018. According to the Online Medical Devices Sales Measures, enterprises engaged in online sales of medical devices must be medical device manufacture and operation enterprises with medical devices production licenses or operation licenses or being filed for record in accordance with laws and regulations, unless such licenses or record-filing is not required by laws and regulations. Pursuant to the Online Medical Devices Sales Measures, the enterprises engaging in online sales of medical devices through its own website, and the third-party platform for provision of online medical devices transaction services shall obtain a Qualification Certificate for Internet Drug Information Services. For the enterprises engaging in online sales of medical devices, such enterprises shall display its medical device production and operation license or record-filing certificate on visible place of its homepage, and the information of the medical devices published on the website shall be consistent with the related contents registered or filed for record; in addition, the business scope shall not exceed the scope of its production and operation license or the scope filed for record. For the enterprises to provide a third-party platform for provision of medical devices online transaction services, such enterprises shall be filed for record with the local provincial FDA, and shall verify the materials submitted by any enterprise applying for entering the platform.

REGULATIONS RELATING TO DRUG OPERATION

Drug Operation

According to the PRC Drug Administration Law, the operation of drug business, including drug wholesale and drug retail, is prohibited without a Drug Operation Permit. A Drug Operation Permit shall state the validity period and the scope of business and be subject to review and reissuance upon expiry of the validity period. According to the Measures for the Supervision and Administration of Drug Quality in Operation and Usage (《藥品經營和使用質量監督管理辦法》), promulgated on September 27, 2023 and became effective on January 1, 2024, a Drug Operation Permit is valid for five years. Each holder of the Drug Operation Permit must apply for an extension of its permit six to two months prior to expiration.

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

REGULATIONS RELATING TO MANUFACTURING AND SALES OF FOODS

Food Safety Law

Pursuant to the Food Safety Law of the People's Republic of China* (《中華人民共和國食品安全法》, the "**Food Safety Law**") promulgated by the SCNPC on 28 February 2009 and revised on 24 April 2015, 29 December 2018 and 29 April 2021, and the Regulation on the Implementation of the Food Safety Law of the PRC* (《中華人民共和國食品安全法實施條例》) promulgated by the State Council on 20 July 2009 and amended on 6 February 2016, 11 October2019 and came into effect on 1 December 2019, the State adopts a licensing system for food production and trade, and an enterprise engaging in production, sales of food or catering services shall legally obtain the licence. However, for those who engage in the sales of edible agricultural products or only sell pre-packaged food products, obtaining a licence is not required. Food operators that only sell pre-packaged food shall report to the food safety regulatory department of the local people's government at or above the county level for the recordation. In accordance with the Administrative Measures for Food Operation Licensing and Filing* (《食品經營許可和備案管理辦法》), where any record-filing party fails to submit the record-filing information as required or fails to update the record-filing information in case of any change

thereto, the local market regulatory authority at or above the county level shall order it to make corrections within a specified time limit; if it fails to do so, a fine of not less than RMB2,000 but not more than RMB10,000 shall be imposed thereon.

Under the food recall system established by the State pursuant to the Food Safety Law and its implementation rules, where a food producer or trader finds that the foods it has produced or sold does not comply with relevant food safety standards, or if there is any evidence proving that the foods produced or sold may harm human health, the food producer or trader shall immediately cease the production or trading thereof, and notify the relevant producers, traders and consumers, and keep records of the recall and notification status. Food manufacturers and business operators who refuse to recall foodstuffs or cease operation after being ordered by the food safety supervision and administration department to do so, and when it does not constitute a crime, the authority shall confiscate the illegal income and foodstuffs from the illegal manufacturing or business activities, and may at the same time confiscate the tools, equipment, ingredients used in the illegal manufacturing or business activities; where the value of the foodstuffs from the illegal manufacturing or business activities is less than RMB10,000, a fine ranging from RMB50,000 to RMB100,000 shall be imposed at the same time; where the value of the foodstuffs is RMB10,000 or more, a fine ranging from ten to twenty times the value of the foodstuffs or food additives shall be imposed at the same time; in serious cases, the permit shall be revoked.

License for Food Product

Pursuant to the Administrative Measures for Food Production Licensing* (《食品生產許可管理辦法》) which was promulgated on 2 January 2020 by the SAMR and came into force on 1 March 2020, a food production licence shall be obtained in accordance with the laws to engage in food production activities within the territory of the PRC. Food producers who have engaged in the food production activities without the food production licensing shall be punished by the local market regulatory authority at or above the county level according to the Article 122 of the Food Safety Law.

License and Filling for Food Trading

In accordance with the Administrative Measures for Food Operation Licensing and Filing (《食品經營許可和備案管理辦法》) which was promulgated by the SAMR on 15 June 2023 and came into force on 1 December 2023, a food operation licence shall be obtained to engage in food selling and dining services in the PRC. However, the licence is not required for the sales of only packaged food is sold. In the event that only packaged food is sold, record-filing shall be completed at the food safety administrations of the people's governments at the county level at the places where the food seller is located. A food operator which has obtained a food operation licence is not required to file for additional business of selling prepackaged food separately. The

Administrative Measures for Food Operation Licensing and Filing shall apply to the application, acceptance, review, and decision-making in regard to food operation licensing, the filing for selling only prepackaged food (including health supplement products, food for special medical purposes, infant formula milk powder and other infant formula food, as well as other special food), and the relevant supervision and inspection. Where any record-filing party fails to submit the record-filing information as required or fails to update the record-filing information in case of any change thereto, the local market regulatory authority at or above the county level shall order it to make corrections within a specified time limit; if it fails to do so, a fine of not less than RMB2,000 but not more than RMB10,000 shall be imposed thereon.

Food Labeling

Pursuant to the Administrative Provisions on Food Labelling (《食品標識管理規定》), promulgated by the General Administration of Quality Supervision, Inspection and Quarantine ("**AQSIQ**") (revoked) on 27 August 2007 and latest amended on 22 October 2009, food or its packages shall be attached with labels, unless otherwise provided by applicable laws or administrative regulations.

A food label shall indicate the name, origin and date of production, expiry date, net quantity, list of ingredients of the product, name and addresses and contact information of producers, and relevant standard product codes implemented by the enterprise. For the foods subject to food production licence administration, food labels shall indicate the food production licence number and a QS (Quality Standard) logo. Where the label does not include the information that is required in the Administrative Provisions on Food Labelling, the authority shall order rectification within a specified period. Should the rectification not be made by the deadline, a fine of more than RMB500 but less than RMB10,000 shall be imposed.

Pursuant to the Food Safety Law, pre-packaged food shall be labelled. The label attached to pre-packaged food shall indicate the following matters: (1) name, specifications, net content and date of production; (2) list of ingredients or components; (3) name, address, and contact information of the producer; (4) shelf life; (5) product standard code; (6) storage conditions; (7) generic names of food additives used under the national standards; (8) food production licence number; (9) other items that must be indicated according to laws, regulations or food safety standards. Food manufacturers and food business operators of pre-packaged foodstuffs without labels, or foodstuffs with labels and instructions that do not comply with the provisions of this Law, shall have their illegal income or foodstuffs from the illegal manufacturing or business activities, tools, equipment, ingredients used in the illegal manufacturing and business activities confiscated by the authority. Where the value of the foodstuffs from the illegal manufacturing or

business activities is less than RMB10,000, a fine ranging from RMB5,000 to RMB50,000 shall be imposed. Where the value of the foodstuffs is RMB10,000 or more, a fine ranging from five to ten times the value of the foodstuffs shall be imposed.

Online Food Safety

According to the Administrative Measures for Online Trading (《網絡交易監督管理辦法》) which was promulgated by the SAMR on 15 March 2021 and became effective on 1 May 2021, online transaction operators shall disclose product or service information comprehensively, truthfully, accurately, and in a timely manner to protect consumers' right to know and to choose. Online trading operators who carry out online trading activities through online social networking, webcasting, and other online services shall display goods or services, their actual business entities, after-sales service, and other information in a conspicuous manner, or the link identification of the above-mentioned information. Where an online transaction operator violates Article 12 of the Administrative Measures for Online Trading by failing to perform its statutory information disclosure obligation, it shall be punished in accordance with Article 76 of the E-commerce Law of the PRC.

According to the Measures on the Punishments and Disciplinary Actions for Online Food Safety (《網絡食品安全違法行為查處辦法》) promulgated by the CFDA on 13 July 2016 and last amended on 2 April 2021 and with effect from 1 June 2021, the SAMR takes charge of the supervision and guidance of the investigation and punishment on illegal conducts concerning online food safety nationwide, and the local market regulatory authorities at and above the county level take charge of the investigation and punishment on illegal conducts concerning online food safety within their administrative regions.

Food for Special Medical Purposes

According to the Administrative Measures for the Registration of Formula Food for Special Medical Purposes (《特殊醫學用途配方食品註冊管理辦法》) promulgated by the SAMR on March 10, 2016, last revised on November 28, 2023, and became effective on January 1, 2024, the SAMR is responsible for the registration and administration of special medical purpose formula foods, and the food review agency of the SAMR is responsible for the acceptance of applications for the registration of formula food for special medical purposes, technical review, on-site verification, production and delivery of certificates, etc., and shall organize experts for demonstration as needed.

A registration shall be applied in accordance with the laws to engage in formula food for special medical purposes production activities within the territory of the PRC. Food producers who have engaged in the formula food for special medical purposes production activities without the registration shall be punished by the local market regulatory authority at or above the county level according to the Article 122 of the Food Safety Law.

REGULATIONS RELATING TO PRODUCT

Product Liability

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC in February 1993 and latest amended in December 2018, is the principal governing law relating to the supervision and administration of product quality, which clarified liabilities of the manufactures and sellers. Manufactures shall not be liable when they are able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall pay compensation if it can neither indicate the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim compensation from the manufacturer or the seller.

According to the Civil Code of PRC (《中華人民共和國民法典》), promulgated by the NPC in May 2020 and effective from January 2021, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. The aggrieved party may claim compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

Production Safety

The Production Safety Law of the PRC (《中華人民共和國安全生產法》), promulgated by the SCNPC in June 2002 and amended in August 2014 and June 2021, is the basic law for governing production safety. It provides that, any entity whose production safety conditions do not meet the above requirements may not engage in production and business operation activities. The production and business operation entities shall educate and train employees regarding production safety so as to ensure that the employees have the necessary knowledge of production safety, are familiar with the relevant regulations and rules for safe production and the rules for safe operation, master the skills of safe operation in their own positions, understand the emergency measures, and know their own rights and duties in terms of production safety. Employees who fail the education and training programmes on production safety may not commence working in their positions. Safety facilities of new building, rebuilding or expanding project (hereinafter collectively referred

to as the "**construction project**") the production and operation unit shall be designed, constructed and put into operation simultaneously with the main body of the project. Investment in safety facilities shall be included in the budget of the construction project.

REGULATIONS RELATING TO ANTI-BRIBERY

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

REGULATIONS RELATING TO ENVIRONMENT PROTECTION AND WORK SAFETY

Environmental Protection Law

Pursuant to the Environmental Protection Law (《中華人民共和國環境保護法》) promulgated by the SCNPC on 26 December 1989, amended on 24 April 2014 and became effective on 1 January 2015, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, wastewater, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

The MOEE and its local counterparts, and the local people's governments impose various administrative penalties on individuals or entities in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within the prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down enterprises. Any individual or entity that pollutes the environment resulting in damage could also be held liable under the PRC Civil Code. Environmental organisations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare. Where any violation of the provision of the Environmental Protection Law constitutes a crime, criminal liabilities shall be investigated in accordance with the PRC Criminal Law (《中華人民共和國刑法》).

Environment Impact Assessment Law

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民人民共和國環境影響評價法》), which was issued on 28 October 2002 and most recently amended on 29 December 2018, the State Council implemented an environment impact assessment (the "**EIA**"), to classify projects according to the impact of the projects on the environment. Entities shall have to prepare an EIR or EIS, or fill out an EIR form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialised assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIA is not required but an EIR Form shall be completed.

Regulations on Urban Drainage and Sewage Treatment

Pursuant to the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated 2 October 2013 and came into effect on 1 January 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 22 January 2015 and last amended on 1 December 2022, 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 licence in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage licence shall not discharge sewage into urban drainage facilities.

Regulations on Work Safety

Under relevant construction safety laws and regulations, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》) which was promulgated by the SCNPC on 29 June 2002 and last amended on 10 June 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide the employees with protective equipment that meets the national standards or industrial standards. Furthermore, production and operating business entities shall report their major hazard sources and related safety and emergency measures to the emergency management department and other relevant departments for the record, and establish a safety risk grading control system and take corresponding control measures. Pharmaceutical product manufacturers are subject to the above-mentioned environment

protection and work safety requirements regulated by the MOEE, the Ministry of Emergency Management of the PRC (中華人民共和國應急管理部), its local counterparts, and the local people's governments.

REGULATIONS RELATING TO LEASING

According to the Civil Code, an owner of immovable or movable property is entitled to possession, use, earnings and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to rescind the contract if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected. Moreover, pursuant to the Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

According to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (2020 version) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋(2020修正)》), which took effect on January 1, 2021, if the ownership of the leased premises changes during lessee's possession in accordance with the terms of the lease contract, and the lessee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except that the mortgage right has been established before the lease of the leased premises and the ownership changes due to the mortgagee's realization of the mortgage right.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on 12 March 1984 and currently effective from 1 June 2021, the State Intellectual Property Office is responsible for administering patent law in the PRC. The patent administration departments of provincial, autonomous regions or municipal governments are responsible for administering patent law within their respective jurisdictions. The Chinese patent system adopts a first-to-file principle, which means that when more than one (1) person files different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three (3) criteria: novelty, inventiveness, and practicability. The protection period is twenty years for an invention patent and ten years for a utility model patent and fifteen years for a design patent, commencing from their respective application dates.

Regulations on Copyright

The Copyright Law, promulgated by the SCNPC on 7 September 2020, which was last amended on 11 November 2020 and became effective on 1 June 2021, provides that Chinese citizens, legal persons, or other organisations shall, whether published or not, own copyright in their copyrightable works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including right of publication, right of authorship and right of reproduction. The Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, the Copyright Law provides for a voluntary registration system administered by the China Copyright Protection Centre. According to the Copyright Law, an infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologising to the copyright owners and compensating the loss of the copyright owner. Infringers of a copyright may also be subject to fines and/or administrative or criminal liabilities in severe situations.

Pursuant to the Computer Software Copyright Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on 20 December 2001 and amended on 30 January 2013, the software copyright owner may go through the registration formalities with a software registration authority recognised by the State Council's copyright administrative department. The software copyright owner may authorise others to exercise that copyright, and is entitled to receive remuneration.

Trademark Law

Trademarks are protected by the Trademark Law which was promulgated by the SCNPC on 23 August 1982 and last amended in 2019, as well as by the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council in 2002 which was last amended on 29 April 2014. The Trademark Office under the SAMR handles trademark registrations. The Trademark Office grants a ten-year term to registered trademarks and the term may be renewed for another ten-year period upon request by the trademark owner. A trademark registrant may licence its registered trademarks to another party by entering into trademark licence agreements, which must be filed with the Trademark Office for its record. As with patents, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark which has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such trademark application may be rejected. Any person applying for the registration of a trademark may not injure existing trademark rights first obtained by 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.

Regulations on Domain Names

The Ministry of Industry and Information Technology (the "**MIIT**") promulgated the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) (the "**Domain Name Measures**") on 24 August 2017, which took effect on 1 November 2017. Pursuant to the Domain Name Measures, the MIIT oversees the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names must provide the true, accurate, and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

REGULATIONS RELATING TO FOREIGN EXCHANGE

Under the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administrative Regulations**") (promulgated by the State Council on January 29, 1996, newly amended on August 5, 2008), Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the competent authorities for the administration of foreign exchange is obtained. In accordance with the Foreign Exchange Administrative Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the

State Administration of Foreign Exchange (the "**SAFE**") for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and service-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by the SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

According to the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (Hui Fa [2015] No. 13) (《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》) (匯發[2015]13號) (the "**Circular 13**"), which was promulgated by the SAFE on February 13, 2015 and came into effect on June 1, 2015, and was amended on December 30, 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13. The SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

According to the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**") (promulgated by SAFE on March 30, 2015, and became effective on June 1, 2015 and partially repealed on December 30, 2019), the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement (the "**Discretional Foreign Exchange Settlement**"). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account. If a foreign-invested enterprise needs to make a further payment from such assigned accounts, it still needs to provide supporting documents and go through the banks' review process.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No. 16) (《關於改革和規範資本項目結匯管理政策的通知》(匯發[2016]16號)) (the "**Circular 16**") (promulgated by SAFE on June 9, 2016, which became effective simultaneously) and as amended on December 4, 2023, enterprises registered in the PRC (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may also convert their foreign debts from foreign currency to

Renminbi on a self-discretionary basis. The Circular 16 provides an integrated standard for converting foreign exchange under capital account items (including but not limited to foreign exchange capital and foreign debts) on a discretionary basis which applies to all enterprises registered in the PRC. The Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, and such converted Renminbi shall not be provided as loans to its non-affiliated entities, except where it is expressly permitted in the business license.

In accordance with the Circular on Further Promoting Cross-border Trade and Investment Facilitation (Hui Fa [2019] No. 28) (《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》) (匯發[2019]28號), which was issued and came into effect on October 23, 2019 by the SAFE and was amended on December 4, 2023, foreign-invested enterprise engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to laws and regulations under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated, and the relevant domestic investment projects are true and compliant.

According to the Circular of the State Administration of Foreign Exchange on Further deepening Reforms to Facilitate Cross-Border Trade and Investment (Hui Fa [2023] No. 28) (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (匯發[2023]28號), which was issued and came into effect on December 4, 2023 by the SAFE, the equity transfer consideration paid in foreign currency by domestic entities owe to domestic equity transferors (including institutions and individuals), as well as the foreign exchange funds raised by domestic enterprises listed overseas, can be remitted to the capital project settlement account directly. The funds in the capital project settlement account can be independently settled and utilized.

REGULATIONS ON CORPORATION AND FOREIGN INVESTMENT

The Company Law

On December 29, 1993, the NPC promulgated the Company Law of the PRC (《中華人民共和國公司法》), which came into effect on July 1, 1994 (subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 (the latest amendments became effective on July 1, 2024)), provides that companies established in China may take the form of limited liability company or a company limited by shares. Each company has the status of a legal person and owns its assets in its own name. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

The Foreign Investment Law of the PRC

On March 15, 2019, the NPC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**2019 Foreign Investment Law**"), which took effect on January 1, 2020 and replaced the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) to become the legal foundation for foreign investments in the PRC. The 2019 Foreign Investment Law sets out the definitions of foreign investments and the framework for promotion, protection and administration of foreign investment activities.

The 2019 Foreign Investment Law establishes the administration systems for foreign investment, which mainly consists of national treatments plus the negative list system, the foreign investments information report system and the security review system. The 2019 Foreign Investment Law sets forth the principles and measures to promote foreign investments in the PRC and specifically provides that the PRC legally protects foreign investors' investment, earnings and other legitimate rights and interests in the PRC. On December 26, 2019, the State Council promulgated the Implementation Regulations on 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 on January 1, 2020, provides the detailed regulation and guidance for implementing the 2019 Foreign Investment Law. It states that enterprises shall be treated equally with respect to policy making and implementation.

REGULATIONS ON CYBER SECURITY AND DATA PROTECTION

On 10 June 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which became effective on 1 September 2021. The PRC Data Security Law establishes the regulatory framework and outlines the responsibilities of the relevant administrative authorities in regulating data security. It provides that the central government of the PRC shall establish a central data security work liaison system, which shall coordinate the relevant authorities across different industries to formulate catalogues of important data and implement special measures to protect the security of such important data.

On 7 November 2016, the SCNPC promulgated the PRC Cyber Security Law (《中華人民共和國網絡安全法》), which became effective on 1 June 2017. According to the PRC Cyber Security Law, network operators are required to fulfill their obligations to safeguard network security when conducting business and providing services. Service providers operating through networks must implement technical and other necessary measures in accordance with laws, regulations, and compulsory national standards to ensure the safe and stable operation of networks, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Network operators are prohibited from

collecting personal information irrelevant to the services they provide, or from collecting or using personal information in violation of the provisions of laws or agreements with users. Additionally, network operators of critical information infrastructure shall store within the PRC all personal information and important data collected and produced within the PRC. The purchase of network products and services by the network operators of critical information infrastructure that may affect national security shall be subject to national cyber security review.

According to the PRC Civil Code, the personal information of natural persons is protected by law. Any organisation or individual that needs to obtain personal information from others shall do so legally, ensure information security, and shall not illegally collect, use, process, transmit, trade, provide or disclose personal information. The PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which was promulgated by the SCNPC on 20 August 2021 and became effective from 1 November 2021, further emphasises the duties and responsibilities of the data processors in protecting personal information, and provide stricter protection measures for processing sensitive personal information.

On 30 July 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on 1 September 2021. According to the Regulations on the Protection of the Security of Critical Information Infrastructure, "critical information infrastructure" refers to important network facilities and information systems in important industries, such as, among others, public communications and information services, as well as other important network facilities and information systems that, if damaged, disabled, or subject to data leakage, could seriously endanger national security, the national economy, public welfare, or the public interest. These regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the PRC Cyber Security Law, and provide that the competent administrative authorities and supervision and management authorities of the aforementioned important industries are responsible for (1) organising the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (2) promptly notifying the identified operators and the Ministry of Public Security of the PRC of the identification results. These regulations require that the relevant operators shall submit a report to the competent PRC administrative authority in accordance with relevant provisions upon the occurrence of any major cybersecurity incident or the discovery of any major cybersecurity threat to the critical information infrastructure. Additionally, operators of critical information infrastructure are required to prioritize the purchase of safe and trusted network products and services. If the purchase of such network products and services may affect national security, such operators shall undergo and pass the cybersecurity review accordingly.

On 28 December 2021, the CAC, jointly with 12 other administrative authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), which became effective on 15 February 2022. According to the Measures for Cybersecurity Review, the purchase of network products and services by critical information infrastructure operators and the data processing activities carried out by network platform operators, which affect or may affect national security are subject to cybersecurity review. In addition, network platform operators possessing personal information of over one (1) million users shall be subject to cybersecurity review before listing abroad. The competent administrative authorities may also initiate a cybersecurity review against the operators if they believe that the purchase of network product or services, or the data processing activities of such operators affect or may affect national security.

On 7 July 2022, the CAC promulgated the Security Assessment Measures for Data Provision Abroad (《數據出境安全評估辦法》), which became effective on 1 September 2022. The Security Assessment Measures for Data Provision Abroad provide that, among others, data processors shall apply to CAC for a security assessment if certain thresholds are met. In addition, on 22 February 2023, the Measures on Standard Contract for the Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》) were promulgated by the CAC, which became effective on 1 June 2023. The Measures on Standard Contract for the Outbound Transfer of Personal Information include a standard contract template for the outbound transfer of personal information, which can be used to meet the requirements of Article 38 of the Personal Information Protection Law. On 22 March 2024, the CAC promulgated Provisions on Promoting and Regulating Cross-border Data Flows (《促進和規範數據跨境流動規定》), which became effective on 22 March 2024. The Provisions on Promoting and Regulating Cross-border Data Flows updated the regulatory mechanisms for outbound data transfers. According to the Provisions on Promoting and Regulating Cross-border Data Flows, data processors shall apply for an outbound data transfer security assessment with the CAC in any of the following circumstances: (i) where a critical information infrastructure operator provides personal information or important data abroad; or (ii) where a data processor, other than a critical information infrastructure operator, provides important data abroad or, cumulatively as of 1 January of the current year, provides personal information (excluding sensitive personal information) of not less than 1 million people or sensitive personal information of not less than 10,000 people to overseas parties, unless the exemptions specified in Articles 3, 4, 5 and 6 of the Provisions apply. If the data have not been identified or publicly announced as important data by relevant departments or regions, data processors are not required to declare a security assessment for cross-border provision of the data as important data. A data processor, other than a critical information infrastructure operator, shall conclude a standard contract with overseas recipients for provision of personal information abroad or undergo certification for the protection of personal information if it provides abroad, cumulatively as of January 1 of the current year, personal information (excluding sensitive personal information) of not less than 100,000 but not more than 1 million persons, or sensitive personal information of not more than 10,000 persons, unless the exemptions specified in Articles 3, 4, 5 and 6 of the Provisions apply.

On 12 July 2018, the NHC issued the Measures on Standards, Security and Services of National Health and Medical Care Big Data (for Trial Implementation) (《國家健康醫療大數據標準、安全和服務管理辦法(試行)》), which became effective on 12 July 2018. The Measures on Standards, Security and Services of National Health and Medical Care Big Data provide the guidelines and principles for the standard management, security management, and service management of health and medical big data. According to the Measures on Standards, Security and Services of National Health and Medical Care Big Data, the NHC, together with other relevant departments, is responsible for the management of national health and medical care big data, while the health authorities above the county level, in collaboration with other relevant departments, are responsible for the management of health and medical care big data within their respective administrative regions. Medical institutions and relevant enterprises, including those engaged by medical institutions to store or operate health and medical care big data, shall implement measures, such as data classification, important data backup and encryption, to ensure the security of this health and medical care big data, and provide secured channels for the query and replication of information. Pursuant to the PRC Cyber Security Law, the responsible parties shall strictly control user access and data usage according to their authorization levels, ensuring that data is used within the authorized scope. Unauthorised units or individuals are prohibited from using or disseminating health and medical care big data or from accessing data beyond the scope of authorization, as well as from obtaining data through illegal means. When disclosing health and medical care big data, the responsible parties must comply with relevant regulations, ensuring that state secrets, trade secrets or personal privacy are not divulged, and that the interests of the state, the public interests, and the legitimate rights and interests of citizens, enterprises, or other organisations are not infringed upon.

On September 24, 2024, the Regulation on Network Data Security Management (《網絡數據安全管理條例》) was promulgated by the State Council and will come into effect on January 1, 2025. The Regulation on Network Data Security Management reiterate the general regulations for data processing activities and rules of personal information protection, important data security protection, network data cross-border transfer management, and online platform service providers' obligations.

REGULATIONS ON LABOR PROTECTION

Labor Law of the PRC

On July 5, 1994, the SCNPC promulgated the Labor Law of the PRC (《中華人民共和國勞動法》) (the "**Labor Law**"), which took effect on January 1, 1995 and was subsequently amended on August 27, 2009 and December 29, 2018. The Labor Law stipulates an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law of the PRC and its Implementation Regulations

On June 29,2007, the SCNPC promulgated the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), which came into effect on January 1, 2008, and was subsequently amended on December 28, 2012 and came into effect on July 1, 2013, and on September 18, 2008, the State Council promulgated the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which became effective on the same date, regulates both parties of a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

REGULATION ON SUPERVISION OVER THE SOCIAL SECURITY AND HOUSING PROVIDENT FUNDS

Social Insurance

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance of the PRC (《中華人民共和國社會保險法》) (the "**Social Insurance Law**"), which was promulgated on October 28, 2010 and amended on December 29, 2018, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

Housing Provident Fund

On April 3, 1999, the State Council promulgated the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) (the "**Housing Provident Fund Regulations**"), which became effective on the same day, and was subsequently amended on March 24, 2002 and March 24, 2019. The Housing Provident Fund Regulations stipulates that housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee. The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

Pursuant to the EIT Law (《中華人民共和國企業所得税法》) and the EIT Implementation Regulations (《中華人民共和國企業所得税法實施條例》), both resident enterprises and non-resident enterprises are subject to tax in the PRC, regulated by the SAT and its local counterparts. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from management body within the PRC. Non-resident enterprises are defined as enterprises that are organised under the laws of foreign countries and whose actual management is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and the EIT Implementation Regulations, a uniform corporate income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from the PRC.

Value-added Tax

Pursuant to the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值税暫行條例》), promulgated on December 13, 1993 and latest amended on November 19, 2017, and the Decision of State Council on Abolition of the Provisional Regulations of the People's Republic of China on Business Tax and Revision of the Provisional Regulations of the People's Republic of China on Value-added Tax (《國務院關於廢止〈中華人民共和國營業税暫行條例〉和修改〈中華人民共和國增值税暫行條例〉的決定》), promulgated on November 19,2017, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property, and the importation of goods within the territory of the PRC shall be liable to pay VAT. According to Announcement 39, regulated by the SAT and its local counterparts, the VAT tax rates generally applicable are simplified as 13%, 9%, 6% and 0%, which become effective on 1 April 2019, and the VAT tax rate applicable to the small-scale taxpayers is 3%.

Dividend Withholding Tax

The EIT Law provides that since 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Double Taxation Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Taxation Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》), issued on 20 February 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Circular on Several Questions regarding the "Beneficial Owner" in Tax Treaties (《關於税收協定中"受益所有人"有關問題的公告》), which was issued on 3 February 2018 by the SAT and became effect on 1 April 2018, when determining the applicant's status as the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analysed according to the actual circumstances of the specific cases.

OVERVIEW

We are a healthcare company engaged primarily in the R&D, manufacturing and commercialization of regenerative medicine medical devices and foods for special medical purposes (FSMPs). We focus on the development, transformation, and application of regenerative medicine materials, and the R&D of FSMPS, in particular specific nutritionally complete formula foods.

Our history can be traced back to 2016 with the establishment of Jiangsu Xihong as a limited liability company in the PRC by Mr. Zhang Xinming, who is our founder, executive Director, chairman of our Board, general manager and president of our Company, through his controlled entity together with other initial shareholders. For details of the background and industry experience of Mr. Zhang Xinming, see "Directors, Supervisors and Senior Management". At our early stage of development, our business operations were primarily carried out through Jiangsu Xihong. Our Company was established as a limited liability company in the PRC in 2023 and became the holding company of our Group.

KEY MILESTONES

The following table sets forth the key milestones of our corporate and business development.

Year	Milestone events
2016	Jiangsu Xihong was established in Suqian, Jiangsu Province, the PRC in December 2016.
2018	We commenced trial production for the special medical liquid workshop.
2019	Runmei Time, our R&D platform, was established in Beijing, the PRC.
	We commenced trial production for the general medical device workshop.
2020	We completed construction and commenced trial production for the sterile processing workshop, which was able to reach an annual production capacity of approximately 1.8 million doses.
2021	Xi Qin (西沁), a carbohydrate component product, obtained the registration certificate of the carbohydrate component formula food for special medical purposes.
	We completed the Angel Round Financing.

Year	Milestone events
2022	Jiangsu Xihong and Runmei Time were recognized as High-tech Enterprise.
2023	Xi Hongyuan (西泓源), an electrolyte formula, obtained the registration certificate of the carbohydrate component formula food for special medical purposes.
	We entered into an exclusive license agreement (the "2023 License-out Agreement") with affiliates of a leading pharmaceutical company listed in Hong Kong to grant to such business partner an exclusive license and a strategic collaboration agreement with a subsidiary of So-Young International Inc to grant to So-Young exclusive collaboration right, to promote, sell and commercialize our product candidates XH301, XH305 and XH311 in China, Hong Kong, Macau and Taiwan.
	Our Company was established in Chengdu, the PRC, as the holding company of our Group.
	We completed the Pre-Series A Financing.
2024	We completed construction and commenced trial production for our sterile prefilling workshop and terminal sterilization prefilling workshop, which are able to reach an annual production capacity of over 5.2 million doses.
	We entered into another two license agreements with the same business partner under the 2023 License-out Agreement to grant to this business partner an exclusive license to promote, sell and commercialize our product candidates XH302 and XH304, conduct independent market management activities in China, Hong Kong, Macau and Taiwan with similar key terms as those of the 2023 License-out Agreement.
	We submitted an application for Class III medical device registration to the NMPA for our product candidate XH301.
	Our Company was converted from a limited liability company into a joint stock company with limited liability.
2025	We submitted an application for Class III medical device registration to the NMPA for our product candidate XH305.
	We completed the Series A Financing.

OUR CORPORATE DEVELOPMENTS

Early Development and Angel Round Financing

Our early business operations were primarily carried out through Jiangsu Xihong, which is currently a wholly-owned subsidiary of our Company established as a limited liability company in the PRC in 2016. See "— Our Subsidiaries — Jiangsu Xihong" below for further details. Our Company was established in Chengdu, the PRC as a limited liability company on May 23, 2023 as the holding company of our Group under the name of Chengdu Xihong Yanmei Biotechnology Co., Ltd. (成都西宏妍美生物技術有限公司), which was renamed as Eastenova (Chengdu) Biotechnology Co., Ltd. (東方妍美(成都)生物技術有限公司) on May 22, 2024. The initial registered capital of our Company at the time of its establishment was RMB50,000,000.

As of the date of its establishment, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital	Approximate percentage of shareholding
	(RMB)	
Mr. Zhang Xinming	13,265,000	26.53%
Beijing Sun-Novo[(1)]	6,820,000	13.64%
Dr. Fu Jie	6,425,000	12.85%
Mr. Tang Haiwei	4,365,000	8.73%
Ningbo Qianxi[(2)]	3,415,000	6.83%
Suzhou Jiahong	3,410,000	6.82%
Mr. Zhao Rongji (趙榮吉)[(3)]	2,405,000	4.81%
Mr. Wang Xuhai (王緒海)[(3)]	2,320,000	4.64%
Mr. Liu Xiaodong (劉曉東)[(3)]	2,320,000	4.64%
Mr. Li Yonglin (李用琳)[(3)]	1,735,000	3.47%
Mr. Wang Zhenguo (王振國)[(3)]	1,540,000	3.08%
Mr. Wang Hongguang (王紅光)[(3)]	770,000	1.54%
Mr. Ji Lei (姬磊)[(3)]	620,000	1.24%
Ms. Zhang Ping (張萍)[(3)]	310,000	0.62%
Mr. Tan Jianxiong (譚建雄)[(3)]	280,000	0.56%
Total	**50,000,000**	**100.00%**

Notes:

(1) Beijing Sun-Novo is one of our **[REDACTED]** Investors. For its background information, see "History, Development and Corporate Structure — **[REDACTED]** Investments".

(2) Ningbo Qianxi is a limited partnership established under the laws of the PRC on August 18, 2021 as an investment holding company to hold equity interest in our Company. Since the establishment of our Company, Ningbo Qianxi has been held as to approximately 3.62% by Mr. Zhang Xinming as its general partner, approximately 42.31% by Ms. Luo Qun as its largest limited general partner and approximately 54.07% by eight other limited partners, none of which holds 30% or more partnership interest in Ningbo Qianxi. All the limited partners of Ningbo Qianxi are Independent Third Parties.

(3) Mr. Wang Xuhai is the vice president of our Company. These individual Shareholders are Independent Third Parties.

Shortly after our Company was established, pursuant to a Shareholders' resolution passed on July 10, 2023, the registered capital of our Company was increased from RMB50,000,000 to RMB64,706,000 on a pro-rata basis. The registered capital of RMB64,706,000 of our Company was subscribed by all the then shareholders of Jiangsu Xihong in proportion to their respective equity interest in Jiangsu Xihong immediately before the establishment of our Company at a total consideration of RMB65,097,800 and fully paid up by way of capital contribution of equity interest held by them in Jiangsu Xihong. See "— Our Subsidiaries — Jiangsu Xihong" below for further details.

Upon completion of the above capital increase, a total of registered capital of RMB13,823,600 of our Company subscribed by Beijing Sun-Novo, Suzhou Jiahong Medical Management Partnership (Limited Partnership) (蘇州佳鴻醫療管理合夥企業(有限合夥)) ("**Suzhou Jiahong**") and Mr. Zhao Rongji (collectively, the "**Angel Investors**"), representing approximately 21.36% equity interest in our Company in aggregate, was paid up by way of capital contribution of the equity interest held by them in Jiangsu Xihong, which was acquired at a total consideration of RMB47,000,000 (the "**Angel Round Financing**"). The details of the Angel Round Financing by the Angel Investors are set out below:

Name of [REDACTED] Investors	Registered capital subscribed for	Consideration	Date of full settlement of consideration in cash[1]
	(RMB)	*(RMB)*	
Beijing Sun-Novo	8,823,600	30,000,000	December 16, 2021
Suzhou Jiahong	4,411,800	15,000,000	December 9, 2021
Mr. Zhao Rongji	588,200[2]	2,000,000	December 10, 2021
Total	**13,823,600**	**47,000,000**	

Notes:

(1) Representing the dates of full settlement of consideration for equity interest in Jiangsu Xihong acquired by the Angel Investors.

(2) Excluding the registered capital subscribed by Mr. Zhao Rongji, which was paid up by way of capital contribution of his equity interest in Jiangsu Xihong acquired prior to the Angel Round Financing. Mr. Zhao Rongji is a then existing shareholder of Jiangsu Xihong prior to the Angel Round Financing.

The consideration of the Angel Round Financing was determined based on arm's length negotiations between the parties with reference to, among others, our long-term development strategies and potential, the development of our products candidates, our research and development capabilities and production capacity. For further details of the Angel Round Financing and the background information of the Angel Investors, see "— **[REDACTED]** Investments" below.

Pre-Series A Financing

Pursuant to a capital increase agreement dated October 7, 2023 entered into among (i) our Company, (ii) Kangzhe VC, Shenzhen Innovation Capital Investment Co., Ltd. (深圳市創新資本投資有限公司) ("**Shenzhen Innovation Capital**"), Changzhou High-tech Investment Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (常州高新投新興產業股權投資基金合夥企業(有限合夥)) ("**Changzhou High-tech Investment**"), Shenzhen Gaoyuan Gongying Investment Partnership (Limited Partnership) (深圳市高遠共贏投資合夥企業(有限合夥)) ("**Shenzhen Gaoyuan**") (collectively, the "**Pre-Series A Investors**") and (iii) our then Shareholders, the Pre-Series A Investors agreed to make a total capital contribution of RMB60,000,000 to our Company (the "**Pre-Series A Financing**"), details of which are set out below:

Name of [REDACTED] Investors	Registered capital subscribed for	Consideration	Date of full settlement of consideration in cash
	(RMB)	*(RMB)*	
Kangzhe VC	3,405,579	30,000,000	October 26, 2023
Shenzhen Innovation Capital	2,270,386	20,000,000	October 30, 2023
Changzhou High-tech Investment	1,067,081	9,400,000	October 23, 2023
Shenzhen Gaoyuan	68,112	600,000	October 30, 2023
Total	**6,811,158**	**60,000,000**	

The consideration of the Pre-Series A Financing was determined based on arm's length negotiations between our Company and the Pre-Series A Investors with reference to, among others, our products under development, our research and development capabilities, our production capacity and the milestones our Group had achieved or expected to achieve before such investment. For further details of the Pre-Series A Financing and the background information of the Pre-Series A Investors, see "— **[REDACTED]** Investments" below.

Upon completion of the Pre-Series A Financing, the shareholding structure of our Company became as follows:

Name of Shareholder	Registered capital	Approximate percentage of shareholding
	(RMB)	
Mr. Zhang Xinming	17,171,400	24.01%
Beijing Sun-Novo	8,823,600	12.34%
Dr. Fu Jie	8,317,000	11.63%
Mr. Tang Haiwei	5,649,200	7.90%
Ningbo Qianxi	4,420,000	6.180%
Suzhou Jiahong	4,411,800	6.17%
Kangzhe VC	3,405,579	4.76%
Mr. Zhao Rongji	3,111,200	4.35%
Mr. Wang Xuhai	3,000,000	4.19%
Mr. Liu Xiaodong	3,000,000	4.19%
Shenzhen Innovation Capital	2,270,386	3.17%
Mr. Li Yonglin	2,247,500	3.14%
Mr. Wang Zhenguo	1,992,000	2.79%
Changzhou High-tech Investment	1,067,081	1.49%
Mr. Wang Hongguang	1,000,000	1.40%
Mr. Ji Lei	800,000	1.12%
Ms. Zhang Ping	400,000	0.56%
Mr. Tan Jianxiong	362,300	0.51%
Shenzhen Gaoyuan	68,112	0.10%
Total	**71,517,158**	**100.00%**

Conversion into a joint stock limited liability company

On December 17, 2024, our then Shareholders passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock limited liability company and the change of name of our Company from Eastenova (Chengdu) Biotechnology Co., Ltd. (東方妍美(成都)生物技術有限公司) to Eastenova (Chengdu) Biotechnology Co., Ltd. (東方妍美(成都)生物技術股份有限公司). Pursuant to the promoters' agreement dated December 17, 2024 entered into by all of our then Shareholders, all promoters approved the conversion of the net asset value of our Company as of October 31, 2024 into 71,517,158 Shares. On December 17, 2024, our Company convened our inaugural meeting and our first general meeting, and passed the relevant resolutions approving the conversion of our Company into a joint stock limited liability company, the adoption of the articles of association of our Company and the conduct of the relevant procedures.

Upon the completion of the conversion, the registered capital of our Company became RMB71,517,158 divided into 71,517,158 Shares with a nominal value of RMB1.00 each, which were subscribed by all our then Shareholders in proportion to their respective equity interest in our Company before the conversion. The conversion was completed on December 24, 2024 when our Company obtained a new business license.

Series A Financing

Pursuant to a capital increase agreement dated March 26, 2025 entered into by, among others, (i) our Company, (ii) Ms. Wang Haitao (王海濤), Mr. Wu Shumin (吳淑民), Kangzhe VC, Chengdu Jiaozi Park Investment Holding Co., Ltd. (成都交子公園投資控股有限公司) ("**Chengdu Jiaozi Investment**") (collectively, the "**Series A Investors**") and (iii) our then Shareholders, the Series A Investors agreed to make a total capital contribution of RMB90 million to our Company (the "**Series A Financing**"), details of which are set out below:

Name of [REDACTED] Investors	Registered capital subscribed for	Consideration	Date of full settlement of consideration in cash
	(RMB)	*(RMB)*	
Kangzhe VC	2,561,637	50,000,000	April 2, 2025
Chengdu Jiaozi Investment	1,024,655	20,000,000	April 3, 2025
Ms. Wang Haitao	512,327	10,000,000	March 28, 2025
Mr. Wu Shumin	512,327	10,000,000	March 29, 2025
Total	**4,610,946**	**90,000,000**	

The consideration of the Series A Financing was determined based on arm's length negotiations between our Company and the Series A Investors with reference to, among others, our products under development, our research and development capabilities, our production capacity and the milestones our Company had achieved or expected to achieve before such investment. For further details of the Series A Financing and the background information of the Series A Investors, see "— **[REDACTED]** Investments" below.

Upon completion of the Series A Financing, the shareholding structure of our Company became as follows:

Name of Shareholder	Registered capital	Approximate percentage of shareholding
	(RMB)	
Mr. Zhang Xinming	17,171,400	22.34%
Beijing Sun-Novo	8,823,600	11.48%
Dr. Fu Jie	8,317,000	10.82%
Mr. Tang Haiwei	5,649,200	7.35%
Ningbo Qianxi	4,420,000	5.75%
Suzhou Jiahong	4,411,800	5.74%
Kangzhe VC	5,967,216	7.76%
Mr. Zhao Rongji	3,111,200	4.05%
Mr. Wang Xuhai	3,000,000	3.90%
Mr. Liu Xiaodong	3,000,000	3.90%
Shenzhen Innovation Capital	2,270,386	2.95%
Mr. Li Yonglin	2,247,500	2.92%
Mr. Wang Zhenguo	1,992,000	2.59%
Changzhou High-tech Investment	1,067,081	1.39%
Chengdu Jiaozi Investment	1,024,655	1.33%
Mr. Wang Hongguang	1,000,000	1.30%
Mr. Ji Lei	800,000	1.04%
Ningbo Qianhui[(1)]	721,000	0.94%
Ms. Wang Haitao	512,327	0.67%
Mr. Wu Shumin	512,327	0.67%
Ms. Zhang Ping	400,000	0.52%
Mr. Tan Jianxiong	362,300	0.47%
Shenzhen Gaoyuan	68,112	0.09%
Total	**76,849,104**	**100.00%**

Note:

(1) Ningbo Qianhui is a limited partnership established under the laws of the PRC on December 4, 2024 as our employee incentive platform. See "— 2024 Restricted Share Scheme" below for further details.

Our subsidiaries

Jiangsu Xihong

Jiangsu Xihong was established in Suqian, Jiangsu Province, the PRC as a limited liability company on December 22, 2016 with an initial registered capital of RMB50 million and is principally engaged in production of regenerative medicine material injectables, regenerative medicine material medical dressing and patch products and FSMPs. As of the date of its establishment, Jiangsu Xihong was owned by Shuyang Qianjing Medicine Technology Co., Ltd. (沭陽乾晶醫藥科技有限公司) ("**Shuyang Qianjing**"), Shuyang Economic Development Zone Construction Investment Co., Ltd. (沭陽經濟開發區建設投資有限公司) (an Independent Third Party), Mr. Fu Dongfang (付東山) (an Independent Third Party and the nominee of Shuyang Qianjing) and Mr. Wang Hongguang as to 75.60%, 20.00%, 2.40% and 2.00%, respectively. At such time, Shuyang Qianjing was owned as by Ms. Zhang Chunming (張春明) (the sister and nominee of Mr. Zhang Xinming), Ms. Li Jiayi (李嘉懿) (the spouse and nominee of Dr. Fu Jie), Mr. Zhao Rongji, Mr. Li Yonglin, Mr. Wang Zhiqiang (王志強) and Mr. Tan Jianxiong as to 33.61%, 17.94%, 17.73%, 8.07% and 4.92%. The nominee arrangements were put in place solely for administrative convenience. After several rounds of equity transfers since its establishment and prior to the Angel Round Financing, as of October 8, 2021, all the nominee arrangements had been terminated, and Jiangsu Xihong was owned as to approximately 32.58 % by Mr. Zhang Xinming, 16.63% by Dr. Fu Jie, 11.30% by Mr. Tang Haiwei, 8.84% by Ningbo Qianxi, 6.00% by Mr. Wang Xuhai and 24.65% by eight of our currently existing individual shareholders who are Independent Third Parties, none of which holds more than 6% equity interest in Jiangsu Xihong at the time.

Pursuant to an equity investment agreement dated August 23, 2021 entered into between Jiangsu Xihong and Beijing Sun-Novo, Beijing Sun-Novo agreed to subscribed for additional registered capital of RMB8,823,600 of Jiangsu Xihong at a consideration of RMB30,000,000 which was fully settled in cash on December 16, 2021. Subsequently, pursuant to a capital increase agreement dated November 22, 2021 entered into among Jiangsu Xihong, Suzhou Jiahong and the then shareholders of Jiangsu Xihong, each of Suzhou Jiahong, Mr. Zhangxinming and Mr. Zhao Rongji agreed to subscribed for additional registered capital of RMB4,411,800, RMB882,400 and RMB588,200 of Jiangsu Xihong at a consideration of RMB15,000,000, RMB3,000,000 and RMB2,000,000, respectively, all of which was fully settled in cash on December 10, 2021. The consideration for such transactions was determined based on arm's length negotiations between the parties with reference to, among others, our long-term development strategies and potential, the development of our products candidates, our research and development capabilities and production capacity.

Upon completion of the above capital increases, the shareholding structure of Jiangsu Xihong became as follows:

Name of Shareholder	Registered capital subscribed for	Approximate percentage of shareholding
	(RMB)	
Mr. Zhang Xinming	17,171,400	26.53%
Beijing Sun-Novo	8,823,600	13.64%
Dr. Fu Jie	8,317,000	12.85%
Mr. Tang Haiwei	5,649,200	8.73%
Ningbo Qianxi	4,420,000	6.83%
Suzhou Jiahong	4,411,800	6.82%
Mr. Zhao Rongji	3,111,200	4.81%
Mr. Wang Xuhai	3,000,000	4.64%
Mr. Liu Xiaodong	3,000,000	4.64%
Mr. Li Yonglin	2,247,500	3.47%
Mr. Wang Zhenguo	1,992,000	3.08%
Mr. Wang Hongguang	1,000,000	1.54%
Mr. Ji Lei	800,000	1.24%
Ms. Zhang Ping	400,000	0.62%
Mr. Tan Jianxiong	362,300	0.56%
Total	**64,706,000**	**100.00%**

Pursuant to an equity transfer agreement dated June 13, 2023 entered into between our Company and each of the then shareholders of Jiangsu Xihong, the then shareholders of Jiangsu Xihong agreed to transfer the entire equity interest in Jiangsu Xihong to our Company at a consideration of RMB65,097,800. In consideration of 100% of the equity interest in Jiangsu Xihong, the then shareholders of Jiangsu Xihong subscribed for the entire registered capital of our Company at the time of its establishment in proportion to their respective equity interest in Jiangsu Xihong immediately before such equity transfers. See "— Our Corporate Developments — Establishment of our Company and Angel Round Financing". Upon completion of the above transactions and as of the Latest Practicable Date, Jiangsu Xihong became wholly owned by our Company.

Runmei Time

Runmei Time was established in Beijing, the PRC as a limited liability company on June 25, 2019 with an initial registered capital of RMB5,000,000, and is principally engaged in the research and development of regenerative medicine material injectables, regenerative medicine material medical dressing and patch products and FSMPs. As of the date of its establishment, Runmei Time was wholly owned by Jiangsu Xihong.

In view of the function positioning of each member of our Group, Jiangsu Xihong and our Company entered into an equity transfer agreement on December 22, 2023, pursuant to which Jiangsu Xihong transferred the entire equity interest in Runmei Time to our Company. Since the completion of the above equity transfer and as of the Latest Practicable Date, each of Jiangsu Xihong and Runmei Time became wholly owned by our Company, serving as the manufacturing base and the R&D platform of our Group, respectively.

Jiangsu Hongjun

Jiangsu Hongjun was established in Suqian, Jiangsu Province, the PRC as a limited liability company on January 28, 2019 with an initial registered capital of RMB10,000,000, and is principally engaged in the sale of FSMPs. Jiangsu Hongjun has been wholly owned by Jiangsu Xihong since its establishment.

Suqian Yanmei

Suqian Yanmei was established in Suqian, Jiangsu Province, the PRC as a limited liability company on November 18, 2016 with an initial registered capital of RMB1,000,000, and is principally engaged in the sale of medical devices. As of the date of its establishment, Suqian Yanmei was owned by Ms. Zhang Chunming (the sister and nominee of Mr. Zhang Xinming), Ms. Li Jiayi (the spouse and nominee of Dr. Fu Jie) and Mr. Zhang Guical (張貴財) (an Independent Third Party) as to 55%, 25% and 20%, respectively. The nominee arrangements were put in place solely for administrative convenience.

Upon completion of certain equity transfers after its establishment, as of January 1, 2023, the commencement of our Track Record Period, Suqian Yanmei was owned as to 75% by Ms. Zhang Chunming (the sister and the nominee of Mr. Zhang Xinming), and 25% by Ms. Li Jiayi (the spouse and the nominee of Dr. Fu Jie).

On December 18, 2023, pursuant to the instructions from Mr. Zhang Xinming and Dr. Fu Jie, Ms. Zhang Chunming and Ms. Li Jiayi transferred all their equity interest in Suqian Yanmei to Jiangsu Xihong at a consideration of RMB500,000. Such consideration was determined with

reference to the paid-up registered capital of Suqian Yanmei. Upon completion of the above transactions, the nominee arrangements were terminated and Suqian Yanmei has been wholly owned by Jiangsu Xihong since then.

PRC Legal Advisors' Confirmation

Our PRC Legal Advisors have confirmed that the above mentioned equity transfers and changes in the registered capitals of our Group have been properly and legally completed and our Group has obtained all necessary approvals and made all necessary filings, and has complied with applicable PRC laws and regulations in relation to the changes in shareholdings as set out above.

CONCERT PARTY ARRANGEMENTS

Pursuant to the Concert Party Agreement dated April 29, 2025 entered into by and among Mr. Zhang Xinming, Dr. Fu Jie, Mr. Tang Haiwei (collectively, the "**Concert Parties**") and our Company, the Concert Parties confirmed that they had been acting in concert in exercising their respective Shareholders' rights pertaining to our Company attached to the Shares directly held by them since the establishment of our Company in May 2023. Furthermore, the Concert Parties had consulted and would consult with each other and reach a unanimous consensus among themselves on the subject matters of any shareholders' resolutions of our Company to be passed pursuant to applicable constitutional documents or applicable laws and regulations within five years from the effective date of the Concert Party Agreement. In the event that the Concert Parties are unable to reach consensus on any matter presented, the matter shall be decided by the individual who holds the most Shares among the Concert Parties at the relevant time. As of the Latest Practicable Date, Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei directly held in aggregate, approximately 40.52% of our Company's total issued share capital.

SHARE SUBDIVISION

We expect to conduct the Share Subdivision immediately prior to the **[REDACTED]**, pursuant to which each of our Share with par value of RMB1.00 will be subdivided into [two] Shares with par value of RMB[0.50] each. Upon completion of such Share Subdivision, the registered capital of our Company, which is RMB76,849,104, will be divided into [153,698,208] Shares with par value of RMB[0.50] per Share, which will be subscribed by all our then Shareholders in proportion to their respective shareholding in our Company immediately before the **[REDACTED]**, and the number of our issued Shares will be [153,698,208], without taking into consideration the new H Shares to be issued for the **[REDACTED]**.

2024 RESTRICTED SHARE SCHEME

For the purpose of awarding our employees for their contributions to our Group and to incentivize them to further promote our development, Ningbo Qianhui were established on December 4, 2024, as our employee incentive platform. As of the Latest Practicable Date, the general partner of Ningbo Qianhui was Mr. Zhang Tianming, our senior management and the brother of Mr. Zhang Xinming, holding approximately 30.93% of the partnership interest in Ningbo Qianhui, who managed the daily affairs and exercise the voting rights of Ningbo Qianhui as shareholder of our Company pursuant to its partnership agreement. The remaining 26 partners of Ningbo Qianhui are limited partners who held approximately 69.07% of the partnership interest in Ningbo Qianhui, and comprised (i) Ms. He Wei, our senior management, holding approximately 6.66% of the partnership interest in Ningbo Qianhui; (ii) Mr. Xu Zengsong, our senior management, holding approximately 5.96% of the partnership interest in Ningbo Qianhui; (iii) Ms. Chen Wenjie, our Supervisor, holding approximately 3.47% of the partnership interest in Ningbo Qianhui; (iv) Mr. Lyu Xuefu, our Supervisor, holding approximately 3.47% of the partnership interest in Ningbo Qianhui; and (v) 22 other employees of our Group holding in aggregate approximately 49.51% of the partnership interest in Ningbo Qianhui and none of them holding 30% or more partnership interest in Ningbo Qianhui.

The 2024 Restricted Share Scheme was approved and adopted by the resolutions of our Shareholders at the extraordinary general meeting of our Company held on February 17, 2025 and is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve grant of incentive Shares after the **[REDACTED]**. The principal terms of the 2024 Restricted Share Scheme are set out in "Appendix VII — Statutory and General Information — D. 2024 Restricted Share Scheme."

[REDACTED] INVESTMENTS

Principal Terms of the [REDACTED] Investments

Name of [REDACTED] Investor(s)	Angel Investors[1]	Pre-Series A Investors	Series A Investors
Date of agreement	August 23, 2021 November 22, 2021	October 7, 2023	March 26, 2025
Date of full settlement of consideration	December 16, 2021	October 30, 2023	April 3, 2025

Name of [REDACTED] Investor(s)	Angel Investors[1]	Pre-Series A Investors	Series A Investors
Approximate cost per Share paid under the [REDACTED] Investments[2]	RMB[1.70]	RMB[4.40]	RMB[9.76]
Amount of registered capital after each round of [REDACTED] Investment	RMB13,823,600	RMB6,811,158	RMB4,610,946
Amount of consideration paid	RMB47 million	RMB60 million	RMB90 million
Approximate post-money valuation of our Company	RMB220 million	RMB630 million[3]	RMB1.5 billion[4]
Discount to the [REDACTED][5] (approximate %)	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%
Shareholding in our Company immediately upon completion of the [REDACTED]	For the shareholding in our Company held by the **[REDACTED]** Investors immediately after completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), see "— Shareholding and Corporate Structure — Corporate Structure Immediately After the Completion of the **[REDACTED]**" in this section.		
Use of [REDACTED]	For financing our research and development activities and funding of our daily operations. As of the Latest Practicable Date, approximately 54% of the net **[REDACTED]** from the **[REDACTED]** Investments had been utilized for the aforementioned purposes. We expect to use the remaining **[REDACTED]** from the **[REDACTED]** Investments for the same purposes.		
Lock-up period	All current Shareholders (including the **[REDACTED]** Investors) are subject to a lock-up period of 12 months following the **[REDACTED]** according to the PRC Company Law.		

Name of [REDACTED] Investor(s)	Angel Investors[(1)]	Pre-Series A Investors	Series A Investors
Strategic benefits	Our Directors were of the view that (i) our Group would benefit from the additional capital provided by the **[REDACTED]** Investors for our research and development and daily operations; (ii) the **[REDACTED]** Investments have broadened our shareholder base and demonstrated the **[REDACTED]** Investors' confidence in the operations and development of our Group; and (iii) the **[REDACTED]** Investors include experienced investors in the biotech and healthcare industries, who can share their insight on business strategies and provide professional advice for our Group's corporate governance, financial reporting, internal control and future development.		

Notes:

(1) The Angel Investors initially made investments to Jiangsu Xihong in 2021 before the establishment of our Company and then became Shareholders of our the Company after a series of shareholding adjustments within our Group. See "— Our Corporate Developments" above for further details.

(2) The cost per Share is calculated based on dividing the consideration by the number of Shares acquired as adjusted by the Share Subdivision to be undertaken immediately prior to the **[REDACTED]**, to facilitate the illustration of premium or discount to the **[REDACTED]**.

(3) The increase from our post-money valuation upon completion of Angel Round Financing to our post-money valuation upon completion of Pre-Series A Financing mainly resulted from the progress of research and development of our product candidates, the milestone we achieved and our business prospects. For instance, (i) five regenerative medicine material-based injectable product candidates entered clinical trials, i.e. XH302, XH304, XH305, XH303, and XH301; (ii) we obtained five Class II medical device registration approval for our regenerative medicine material-based medical dressing and patch product line; (iii) two products approved by the SAMR for our FSMP product pipeline; and (iv) we entered into the 2023 License-out Agreement with affiliates of a leading pharmaceutical company listed in Hong Kong to grant to such business partner an exclusive license and a strategic collaboration agreement with a subsidiary of So-Young International Inc ("**So-Young**") to grant to So-Young an exclusive collaboration right, to promote, sell and commercialize our product candidates XH301, XH305 and XH311 in China, Hong Kong, Macau and Taiwan.

(4) The increase from our post-money valuation upon completion of the Pre-Series A Financing to our post-money valuation upon completion of the Series A Financing was primarily due to the continuous development of our business, progress of research and development of our products, the milestone we achieved and our business prospects. For instance, (i) we received the acceptance notice regarding our registration application for our product candidates XH301 and XH305 from the NMPA and at the same time expanded our R&D pipeline of regenerative medicine materials-based product candidates, laying a new foundation for our sustainable development advantages and growth points; (ii) phase II construction of manufacturing facility in Shuyang county, Jiangsu province was completed, which is able to reach an annual production of 10 million doses; and (iii) we entered into another two license agreements with the same business partner under the 2023 License-out Agreement to grant to this business partner an exclusive license to promote, sell and commercialize our product candidates XH302 and XH304 in China, Hong Kong, Macau and Taiwan with similar key terms as those of the 2023 License-out Agreement.

(5) The discount to the **[REDACTED]** is calculated based on the foreign exchange rate as of the Latest Practicable Date and the assumption that the **[REDACTED]** is HK$**[REDACTED]** per H Share (being the **[REDACTED]** of the indicative **[REDACTED]**).

Information Relating to Our [REDACTED] Investors

Among our **[REDACTED]** Investors, each of Beijing Sun-Novo and China Medical System is a Sophisticated Investor who has made meaningful investment in our Company in accordance with Chapter 2.3 of the Guide. The background information of our **[REDACTED]** Investors who remained as our Shareholders as of the Latest Practicable Date is set out below.

[REDACTED] Investors	Background
Beijing Sun-Novo	Beijing Sun-Novo is a joint stock limited liability company established in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 688621), which is controlled by Mr. Li Qian, our non-executive Director and was owned as to 27.59% by Mr. Li Qian as of the Latest Practicable Date. According to Frost & Sullivan, Beijing Sun-Novo is one of the major comprehensive preclinical and clinical research CRO service providers in drug development in the PRC. Beijing Sun-Novo is a Sophisticated Investor which has made meaningful investment in our Company for more than six months before the **[REDACTED]**.
Suzhou Jiahong	Suzhou Jiahong is a limited partnership established in the PRC. It is owned as to 10% by its general partner, Suzhou Xinghan Jiahe Medical Technology Partnership (Limited Partnership) (蘇州星瀚佳和醫療技術合夥企業(有限合夥)) ("**Suzhou Xinghan**"), and as to 90% by its sole limited partner Suzhou Hongjin Enterprise management development Co., Ltd. (蘇州鴻錦企業管理發展有限公司) ("**Suzhou Hongjin**") which in turn is owned by 24 shareholders, none of which holds 30% or more equity interest. Suzhou Xinghan is owned as to 1% by Suzhou Xinghan Jiahe Biotechnology Co., Ltd. (蘇州星瀚佳和生物科技有限公司) as its general partner, which in turn is controlled by Mr. Xu Linze (徐菱澤). Suzhou Xinghan has four limited partners and is owned as to 54% by Mr. Xu Linze and 45% by three other limited partners, none of which holds 30% or more partnership interest. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of Suzhou Jiahong, Suzhou Xinghan, Suzhou Hongjin and Mr. Xu Linze is an Independent Third Party. Suzhou Jiahong is principally engaged in equity investment. Its portfolio companies in biotech and healthcare sectors include, among others, Kerui Maiji (Beijing) Medical Technology Co., Ltd. (科瑞邁吉(北京)醫療科技有限公司), Canhelp Genomics Co., Ltd. (杭州可幫基因科技有限公司) and Veminsyn (未名拾光).

[REDACTED] Investors	Background
Kangzhe VC	Kangzhe VC is a limited liability company established in the PRC and indirectly wholly owned by China Medical System, a company listed on the Stock Exchange (stock code: 867). China Medical System is a pharmaceutical products service provider based in China, focusing on marketing, promotion and sales of prescription drugs to all therapeutic departments in hospitals. According to Frost & Sullivan, China Medical System is one of the largest prescription drug product sales and promotion service providers in the PRC. China Medical System is a Sophisticated Investor which has made meaningful investment in our Company through Kangzhe VC for more than six months before the **[REDACTED]**.
Shenzhen Innovation Capital. . .	Shenzhen Innovation Capital is a limited liability company established in the PRC and is wholly owned by Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) ("**Shenzhen Capital**", together with its subsidiaries, "**Shenzhen Capital Group**") which in turn is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Shenzhen Municipal People's Government (深圳市人民政府國有資產監督管理委員會). The core business of Shenzhen Capital is early-stage venture capital focusing on sectors including information technology, equipment manufacturing, health industry, new materials and new energy. The investment portfolio of Shenzhen Capital Group includes, among others, (i) Shenzhen Mindray Bio-Medical Electronics Co., Ltd. (深圳邁瑞生物醫療電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300760); and (ii) Akeso, Inc. (康方生物科技(開曼)有限公司) which is listed on the Hong Kong Stock Exchange (stock code: 9926).
Changzhou High-tech Investment and Shenzhen Gaoyuan	Changzhou High-tech Investment is a limited partnership established in the PRC. It is owned as to approximately 0.33% by Shenzhen High-tech Investment Yuanwang Valley Venture Capital Co., Ltd. (深圳市高新投遠望谷創業投資有限公司) ("**Yuanwang Valley VC**") as its general partner, 32.67% by Shenzhen High-tech Investment Venture Capital Co., Ltd. (深圳市高新投創業投資有限公司) ("**Shenzhen High-tech Investment VC**") as its largest limited partner, and 67% by six other limited partners, none of which holds 30% or more partnership interest. Both Yuanwang Valley VC and Shenzhen High-tech Investment VC are controlled by Shenzhen High-tech Investment Group Co., Ltd. (深圳市高新投集團有限公司)("**Shenzhen High-tech Investment Group**") ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Shenzhen Municipal People's Government.

[REDACTED] Investors	Background
	Shenzhen Gaoyuan is a limited partnership established in the PRC. It is owned as to 60% by Mr. Jin Xin (金鑫) as its general partner and 40% by four limited partners, none of which holds 30% or more partnership interest. Shenzhen Gaoyuan was controlled by Shenzhen High-tech Investment Group. Since the establishment in December 1994, Shenzhen High-tech Investment Group has been focusing on providing diverse financial services including financing guarantee, venture capital and commercial factoring to small and medium size technology companies.
Chengdu Jiaozi Investment. . . .	Chengdu Jiaozi Investment is a limited liability company established in the PRC and is wholly owned by Chengdu Jiaozi Park Financial Business District Investment & Development Co., Ltd. (成都交子公園金融商務區投資開發有限責任公司), which in turn is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Chengdu (成都市國有資產監督管理委員會). Chengdu Jiaozi Investment is principally engaged in equity investment focusing on mass consumption, healthcare and technology fields.
Mr. Zhao Rongji	To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Zhao Rongji is an Independent Third Party.
Ms. Wang Haitao.	To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Ms. Wang Haitao is an Independent Third Party.
Mr. Wu Shumin	To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Wu Shumin is an Independent Third Party.

Special Rights of the [REDACTED] Investors

The special rights granted to the **[REDACTED]** Investors included, among others, information rights, redemption rights, pre-emptive rights, director nomination rights, rights to be consented prior to certain corporate actions and anti-dilution rights. All special rights which are required to be terminated pursuant to Chapter 4.2 of the HKEX Guide have been terminated or will terminate upon the **[REDACTED]**.

Shareholding of our [REDACTED] Investors in our Company upon the [REDACTED]

Immediately after the completion of the Share Subdivision and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) and conversion of **[REDACTED]** Shares into H Shares, the shareholding of our **[REDACTED]** Investors in our Company will be as follows:

Name of [REDACTED] Investors	Description of Shares	Number of Shares	Approximate shareholding percentage in our total issued share capital
Beijing Sun-Novo	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
	[REDACTED] Shares	**[REDACTED]**	**[REDACTED]**%
Suzhou Jiahong	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
Kangzhe VC	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
Shenzhen Innovation Capital	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
Changzhou High-tech Investment	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
Shenzhen Gaoyuan	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
Chengdu Jiaozi Investment	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
Mr. Zhao Rongji	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
	[REDACTED] Shares	**[REDACTED]**	**[REDACTED]**%
Ms. Wang Haitao	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
	[REDACTED] Shares	**[REDACTED]**	**[REDACTED]**%
Mr. Wu Shumin	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
	[REDACTED] Shares	**[REDACTED]**	**[REDACTED]**%
Subtotal	H Shares	**[REDACTED]**	**[REDACTED]**%
	[REDACTED] Shares	**[REDACTED]**	**[REDACTED]**%
Total		**[REDACTED]**	**[REDACTED]**%

Public Float

Beijing Sun-Novo, which is controlled by Mr. Li Qian, our non-executive Director, is a close associate of Mr. Li Qian and therefore a core connected person of our Company. Save for Beijing Sun-Novo, all other **[REDACTED]** Investors are independent from our Group and not our core connected persons. Accordingly, the H Shares held by all of our **[REDACTED]** Investors (save for Beijing Sun-Novo) shall be counted towards the public float of our Company.

Each of Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei is our executive Director and a Controlling Shareholder. Ningbo Qianxi is a Controlling Shareholder with Mr. Zhang Xinming as its general partner. See "Relationship with Our Controlling Shareholders" for further details. The general partner of Ningbo Qianhui is Mr. Zhang Tianming, who is the general manager of Jiangsu Xihong, Jiangsu Hongjun and Suqian Yanmei. Therefore, Mr. Zhang Xinming, Dr. Fu Jie, Mr. Tang Haiwei, Ningbo Qianxi and Ningbo Qianhui are core connected persons of our Company. Accordingly, an aggregate of **[REDACTED]** Shares held by Mr. Zhang Xinming, Dr. Fu Jie, Mr. Tang Haiwei, Ningbo Qianxi and Ningbo Qianhui, representing approximately **[REDACTED]**% of our Shares in issue immediately following the completion of the Share Subdivision and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) will not be counted as part of the public float.

An aggregate of **[REDACTED]** Shares held by Mr. Zhang Ximing, Dr. Fu Jie, Mr. Tang Haiwei, Ningbo Qianxi, Ningbo Qianhui, Beijing Sun-Novo, Mr. Zhao Rongji, Mr. Wang Xuhai, Mr. Li Yonglin, Mr. Wang Hongguang, Mr. Ji Lei, Ms. Wang Haitao, Mr. Wu Shumin and Ms. Zhang Ping, representing approximately **[REDACTED]**% of our Shares in issue immediately following the completion of the Share Subdivision and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), will not be counted as part of the public float after the **[REDACTED]** as the Shares held by the aforesaid Shareholders are **[REDACTED]** which will not be converted into H Shares or **[REDACTED]** on the Stock Exchange following the completion of the **[REDACTED]**. See "Share Capital" for further details.

An aggregate of **[REDACTED]** Shares held by Mr. Zhang Ximing, Dr. Fu Jie, Mr. Tang Haiwei, Ningbo Qianxi, Ningbo Qianhui, Beijing Sun-Novo, Suzhou Jiahong, Kangzhe VC, Mr. Zhao Rongji, Mr. Wang Xuhai, Mr. Liu Xiaodong, Shenzhen Innovation Capital, Mr. Li Yonglin, Mr. Wang Zhenguo, Changzhou High-tech Investment, Chengdu Jiaozi Investment, Mr. Wang Hongguang, Mr. Ji Lei, Ms. Wang Haitao, Mr. Wu Shumin, Ms. Zhang Ping, Mr. Tan Jianxiong and Shenzhen Gaoyuan, representing approximately **[REDACTED]**% of our Shares in issue immediately following the completion of the Share Subdivision and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), will be converted into H Shares and **[REDACTED]** on the Stock Exchange immediately following the completion of the **[REDACTED]**. See "Share Capital" for further details. As Suzhou Jiahong, Kangzhe VC, Mr. Zhao Rongji, Mr. Wang Xuhai, Mr. Liu Xiaodong, Shenzhen Innovation Capital, Mr. Li Yonglin, Mr. Wang Zhenguo, Changzhou High-tech Investment, Chengdu Jiaozi Investment, Mr. Wang Hongguang, Mr. Ji Lei, Ms. Wang Haitao, Mr. Wu Shumin, Ms. Zhang Ping, Mr. Tan Jianxiong and Shenzhen Gaoyuan are not core connected persons of our Company and their investments are not financed directly or indirectly by any core connected person of our Company, **[REDACTED]** H Shares held by them, representing approximately **[REDACTED]**% of our Shares in issue immediately following the completion of the Share Subdivision and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the **[REDACTED]**. Therefore, over 25% of the total issued share capital of our Company with a market capitalization of substantially over HK$375 million will be held by the public upon completion of the **[REDACTED]** in accordance with 8.08(1)(a) and 18A.07, respectively, of the Listing Rules.

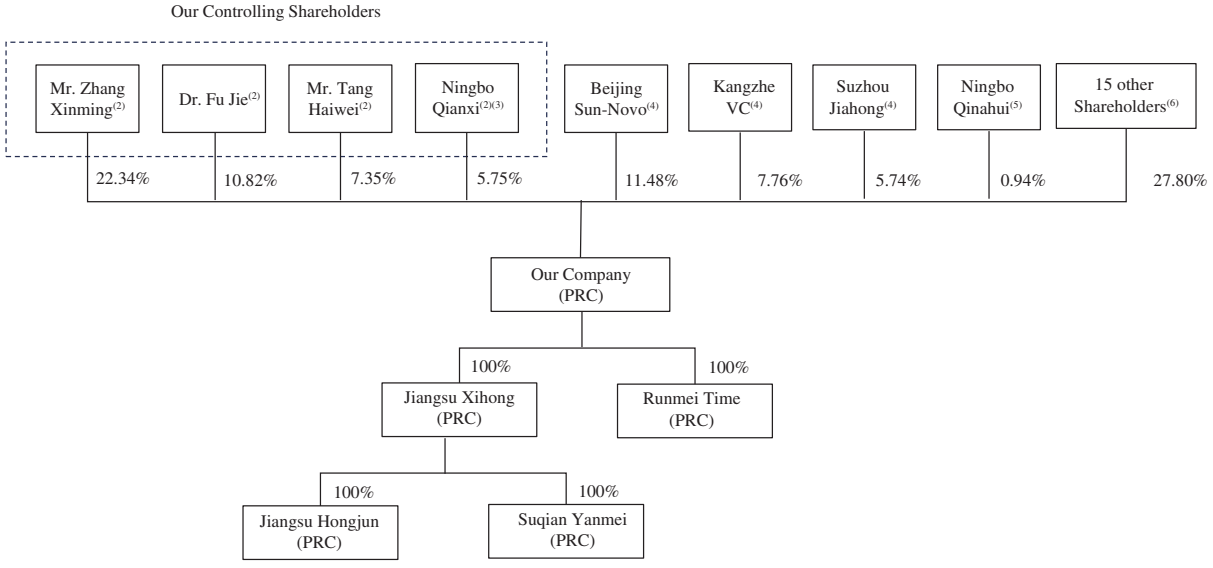
Compliance with the Guide

On the basis that (i) the consideration for the last **[REDACTED]** Investment was irrevocably settled on a date which is more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange in relation to the **[REDACTED]** (the "**First Filing**"), (ii) the redemption rights granted to the **[REDACTED]** Investors were terminated immediately prior to the First Filing and would only become exercisable if the **[REDACTED]** does not take place, and (iii) all special rights granted to the **[REDACTED]** Investors would be terminated upon the **[REDACTED]**, the Sole Sponsor confirms that the **[REDACTED]** Investments are in compliance with Chapter 4.2 of the Guide.

SHAREHOLDING AND CORPORATE STRUCTURE

Corporate Structure Immediately After the Completion of the [REDACTED] Investments But Before the [REDACTED]

The following chart sets forth our corporate and shareholding structure immediately after the completion of the **[REDACTED]** Investments, but before the completion of the Share subdivision and the **[REDACTED]**:



Notes:

(1) Shareholding percentages may not add up to 100% due to rounding.

(2) Mr. Zhang Xinming, Dr. Fu Jie, Mr. Tang Haiwei and Ningbo Qianxi comprise a group of Controlling Shareholders. See "Relationship with Our Controlling Shareholders" for further details.

(3) For the details of the background information of Ningbo Qianxi, see "— Our Corporate Developments — Establishment of our Company and Angel Round Financing" above.

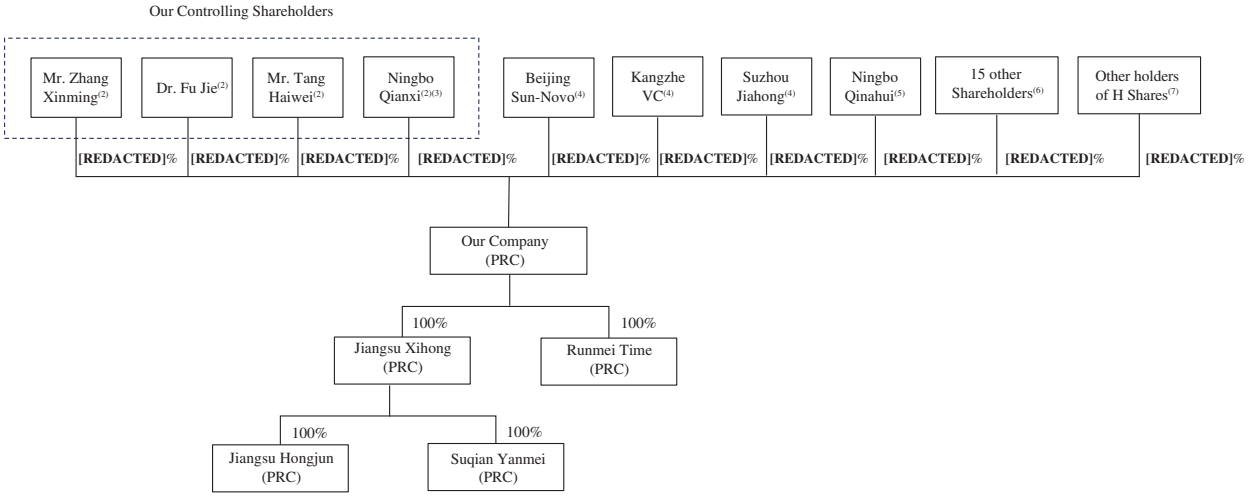
(4) For the details of the background information of Beijing Sun-Novo, Kangzhe VC and Suzhou Jiahong, see "— **[REDACTED]** Investments" above.

(5) For the details of the background information of Ningbo Qianhui, see "— 2024 Restricted Share Scheme" above.

(6) Such 15 other Shareholders include Mr. Zhao Rongji, Mr. Wang Xuhai, Mr. Liu Xiaodong, Shenzhen Innovation Capital, Mr. Li Yonglin, Mr. Wang Zhenguo, Changzhou High-tech Investment, Chengdu Jiaozi Investment, Mr. Wang Hongguang, Mr. Ji Lei, Ms. Wang Haitao, Mr. Wu Shumin, Ms. Zhang Ping, Mr. Tan Jianxiong and Shenzhen Gaoyuan, respectively holding approximately 4.05%, 3.90%, 3.90%, 2.95%, 2.92%, 2.59%, 1.39%, 1.33%, 1.30%, 1.04%, 0.67%, 0.67%, 0.52%, 0.47% and 0.09% of our total issued Shares as of the Latest Practicable Date. For the details of the background information of Mr. Zhao Rongji, Shenzhen Innovation Capital, Changzhou High-tech Investment, Chengdu Jiaozi Investment, Mr. Wu Shumin, Ms. Wang Haitao and Shenzhen Gaoyuan, see "— **[REDACTED]** Investments" above. Mr. Wang Xuhai is the vice president of our Company. Mr. Liu Xiaodong, Mr. Li Yonglin, Mr. Wang Zhenguo, Mr. Wang Hongguang, Mr. Ji Lei, Ms. Zhang Ping and Mr. Tan Jianxiong are Independent Third Parties.

Corporate Structure Immediately After the Completion of the [REDACTED]

The following chart sets forth our corporate and shareholding structure immediately after the completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]**):



Notes:

(1) to (6): Please refer to "— Corporate Structure Immediately After the Completion of the **[REDACTED]** Investments But Before the **[REDACTED]**" above.

(7) Other holders of H Shares are the Shareholders subscribing for the **[REDACTED]**.

OVERVIEW

We are a healthcare company engaged primarily in the R&D, manufacturing, and commercialization of regenerative medicine medical devices and foods for special medical purposes (FSMPs) established in 2016. We focus on the development, transformation, and application of regenerative medicine materials, and the R&D of FSMPS, in particular specific nutritionally complete formula foods. Regenerative medicine medical devices are designed to restore, replace, or regenerate cells, tissues, or organs for disease treatment or alleviation, often incorporating biomaterials and tissue engineering techniques, aimed at promoting tissue regeneration and repair. We have been concentrating on the regenerative medicine materials field, continuously advancing our research in cutting-edge technology and developing innovative application scenarios, strategically exploring and developing regenerative biomaterials, and have accumulated critical technologies, including those for the R&D, modification and preparation of polymer materials and the regenerative biomaterials, and the R&D and preparation for microspheres. We have possessed the capabilities of translating our technology in regenerative medicine material into mature products which meets market demands. As a technology platform company for regenerative medicine materials, our robust product portfolio is currently comprised of two major product lines, i.e. regenerative medicine material-based injectables and regenerative medicine material-based medical dressings and patches. Simultaneously, we recognize the significant role FSMP plays in improving the effect of clinical treatment on patients and reducing national healthcare burden. We are confident in the strong market potential of the FSMP market. Therefore, since our inception, we have strategically expanded into the FSMP market, and obtained the registration approval for our first FSMP product as early as 2021. According to Frost & Sullivan, we are one of the earliest market players in China to obtain registration approval for an FSMP product for individuals over one year old.

As of the Latest Practicable Date, we had 13 major regenerative medicine material injectable product candidates, all of which are regulated as Class III medical devices, including XH301, our Core Product, and XH321, a product candidate with an indication for treating female stress urinary incontinence. Two of such 13 product candidates had entered the registration review stage. In our product line of regenerative medicine material-based medical dressings and patches, we have seven products which had obtained Class II medical device registration approval, and one cross-linked ECM product candidate, XH322, with an indication for treating post-mastectomy breast reconstruction at a preclinical stage. Our FSMP product pipeline included two products approved by the SAMR and seven product candidates under development, as of the same date.

The following chart summarizes the development status of our major product candidates, all internally-developed under our product lines for regenerative medicine medical devices and FSMPs, respectively, as of the Latest Practicable Date:

Notes:

(1) We were preparing to submit application for CE Marking certification in the EU for XH301 as of the Latest Practicable Date.

(2) For the purpose of commercialization of XH301 in the EU, based on our communication with a CRO engaged by us, we understand that the clinical trial data of XH301, once approved by the NMPA, can be used for application for registration in the EU. Prior to entering and operating in any region outside of mainland China, we will conduct comprehensive and continuous analysis on the market conditions and regulatory requirements, engage overseas consultants with local expertise and seek professional advice whenever necessary to ensure local compliance.

	Products	Classification	Type/Features	Pre-clinical	Clinical trials[1]	Registration	Expected Completion of the Current Stage	Expected/Obtained Marketing Approval
Foods for Special Medical Purposes	Xi Qin	Non-nutritionally complete formula foods	Carbohydrate component			Approved	-	2021
	Xi Hongyuan	Non-nutritionally complete formula foods	Electrolyte formula			Approved	-	2023
	Xi Shengyuan	Non-nutritionally complete formula foods	Protein component				2025H2	2025
	Xi Xinli	Non-nutritionally complete formula foods	Liquid formula				2025H2	2027
	Xi Yangyuan	Nutritionally complete formula foods	Whole proteins				2025H1	2026
	Xi Fuan	Nutritionally complete formula foods	Short peptides				2025H2	2027
	XHT01	Specific nutritionally complete formula foods	Diabetes-specific				2025H2	2028 or later
	XHT02	Specific nutritionally complete formula foods	Nephropathy-specific				2025H2	2028 or later
	XHT03	Specific nutritionally complete formula foods	Chronic obstructive pulmonary-specific				2025H2	2028 or later

Chinese Status

Abbreviations: H1 means first half, H2 means second half

Note:

(1) Only specific nutritionally complete formula foods are required to go through clinical trials for purpose of registration.

Regenerative medicine is an emerging interdisciplinary medical field that reconstructs or replaces damaged tissues utilizing regenerative biomaterials, tissue engineering, and other approaches. The core value of regenerative medicine lies in overcoming the limitations of conventional medicine by harnessing the body's innate regenerative potential. In the past decade, the global regenerative medicine market has experienced rapid growth, and the China regenerative medicine market has also been supported and driven by favorable national policies. In particular, in 2021, the "14th Five-Year" Plan for National Clinical Specialty Capacity Building (《「十四五」國家臨床專科能力建設規劃》) promoted regenerative medicine as a key technology focus for multiple diseases. In 2023, the Guidelines on Further Improving the Healthcare Service System (《關於進一步完善醫療衛生服務體系的意見》) requested the advancement of cutting-edge medical technologies, including regenerative medicine. In 2024, the Opinions on Developing the Silver Economy to Enhance Elderly Well-being (《關於發展銀髮經濟增進老年人福祉的意見》) proposed to foster the anti-aging industry by accelerating the R&D and applications of regenerative medicine. In the regenerative medicine industry, regenerative medicine materials have considerably more advanced clinical progress, stronger commercial certainty, and a clearer path of technology transformation, compared to other approaches, such as tissue engineering. In the regenerative medicine materials sector in China, the clinical application of regenerative medicine materials is continuing to deepen, and the forms of regenerative medicine material products are increasingly diversified. This industry has seen changes from natural materials to synthetic materials, from single materials to composite materials, and from simple applications to high-end applications. In terms of type of materials, animal-based materials and polymer materials, as the major types of regenerative medicine materials, are currently the main focus of the active domestic market players. While in terms of clinical applications, regenerative medicine medical devices represent a major application area for regenerative medicine materials.

The clinical application of regenerative medicine materials is subject to multiple stringent requirements that, including among others, the regenerative medicine materials (i) must exhibit high compatibility to eliminate the risk of immune rejection by the human body, (ii) need to demonstrate stability and degradation compliance, implying that their degradation rate should align with the tissue growth rate to facilitate smooth tissue regeneration, (iii) are expected to possess induction activity, enabling the stimulation of tissue growth and remodeling for enhanced therapeutic effects, and (iv) must satisfy the mechanical property requirements for diverse clinical applications, ensuring they possess adequate force compliance. Continuous technological innovation is indispensable to meeting these demanding criteria. From material preparation methods and structural and performance optimization to interface reactions and surface modification, each stage necessitates refined and advanced process control. Technological and process advancements play a critical role in the performance of regenerative medicine materials and their effect in medical applications, as they can enable more precise material preparation and enhanced performance stability, thereby laying a solid foundation for the large-scale clinical application of regenerative medicine materials.

We have been strategically constantly exploring the R&D, formulation and industrialization of regenerative medicine materials, including polymer materials and regenerative biomaterials, such as ECM and dECM, among others. We have also developed critical technologies to tackle the technological difficulties in the clinical application of the regenerative medicine materials, including those for the R&D, modification, and preparation of polymer materials and bio-regenerative materials, and the R&D and preparation of microsphere. As a result, we have successfully transformed our know-how and expertise and critical key technology in regenerative medicine materials into our robust product pipeline with a number of regenerative medicine medical devices product candidates.

Leveraging our know-how and expertise and technological advancement accumulated over the past decade, we have developed two major product lines for regenerative medicine medical device: (i) regenerative medicine material-based injectables, including a total of 13 product candidates regulated as Class III medical devices under the registration review or in clinical or preclinical stage as of the Latest Practicable Date, including our Core Product, XH301; and (ii) regenerative medicine material-based medical dressings and patches, including seven medical dressing products that had been approved and registered as Class II medical devices and one patch product regulated as a Class III medical device in pre-clinical stage as of the Latest Practicable Date. We are confident that our regenerative medicine medical devices have unique advantages based on the clinical or pre-clinical results. For instance, in a multi-center clinical trial covering 252 subjects, XH301 was demonstrated to be superior to the imported hyaluronic acid control product in terms of efficacy, with no significant difference in safety. Driven by the rapidly growing market of regenerative medicine materials-based injectables, based on our self-developed polymer microsphere and decellularized matrix serialized biomaterial technology platform, we have systematically planned our R&D pipeline focusing on regenerative medicine to seize the unmet medical needs in the market. According to the R&D progress of our product candidates, we expect to launch XH301 and XH305 in China in 2025, and continue to launch new injectable products in the next three years. We will continue to collaborate with industry-leading and reputable business partners, in the form of licensing or otherwise, to establish compliant and well-managed sales channel and to quickly launch our approved products to better commercialize our products. We believe that we are able to quickly seize the tremendous opportunities in the regenerative medicine market, benefiting from our robust product portfolio, strategic product positioning, industry-leading R&D capabilities and formulation technologies, excellent product safety and effectiveness, and prudent commercialization strategy.

While deepening our research in the field of regenerative medicine medical devices, we have been concurrently developing our capabilities in the R&D, manufacturing and commercialization of our FSMPs product line since our inception. We have well perceived the significance of the FSMPs in improving the clinical treatment outcomes of patients and reducing the national healthcare burden. Leveraging our core technology in the industrial production of high energy density emulsions, we have achieved multiple technological breakthroughs, such as the

development of specific complete nutritional emulsions for specific patients. We obtained our first registration certificate for FSMP in 2021, and is one of the first market players that has obtained marketing approval of FSMPs in China, according to Frost & Sullivan. As of the Latest Practicable Date, we had (i) two approved and commercialized FSMP products, and (ii) seven FSMP product candidates in application or R&D stages, including three nutritionally complete formula food product candidates for specific patients.

Continuous R&D and innovation capabilities have been the backbone of our success and business growth. Our continuous R&D efforts made by our R&D team members who have in-depth technological knowledge and extensive experience have contributed to the successful development of our key technologies and products. With the goal of further improving product safety and efficiency and enhancing quality control, we have accumulated rich expertise and proprietary technologies in the R&D, modification and preparation of polymer materials and regenerative biomaterials, the R&D and preparation of microsphere, and the industrial production of high energy density emulsions. Our R&D team aims to build comprehensive platforms covering the product development, raw material development, pilot transformation, performance evaluation and regulatory registration to roll out our products, and together with our production and commercialization teams, to build a complete industry chain for our products.

In addition to R&D capabilities to develop new products adapting to market demand, commercial-scaled manufacturing capability is also a key competitive strength for us to stand out in the competitive regenerative medicine medical device and FSMP industries. Our existing manufacturing facility in Shuyang, Jiangsu ("**Shuyang Manufacturing Facility**") is designed with reference to China's GMP standards, EU MDR standards and U.S. FDA standards for medical devices and National Food Safety Standard (GB 29923-2023) for FSMPs, and is equipped with a production workshop for regenerative medicine medical devices, with a combined annual production capacity of up to 10 million doses. It was one of the largest production line for regenerative medicine materials in China as of the Latest Practicable Date, according to Frost & Sullivan. We have a series of production equipment at our Shuyang Manufacturing Facility, and are one of the leaders in the formulation process in China, according to the same source. We have two major production lines customized for liquids, including emulsions, for the FSMP workshop at our Shuyang Manufacturing Facility. As of the Latest Practicable Date, we had commenced production for two liquid production line and commissioning for one emulsion production line, and achieved the industrial transformation for both acidic and neutral emulsion systems. In addition, our microfluidic production line at our Shuyang Manufacturing Facility is expected to commence operation in late May 2025, and therefore we are expected to become one of the first Chinese companies that have commenced operation of a microfluidic production line in China according to Frost & Sullivan. Furthermore, to support the upstream of the regenerative medicine medical device industry chain and to promote the industrialization of our new products, we are constructing a new production facility located at our Chengdu headquarters, primarily for the production of polymer raw materials, biological raw materials, and bio-based material products.

We are led by a visionary management team with profound industry experience, strong academic background and deep market insights who are able to accurately grasp the pulse of industry development. Our management team has comprehensive skills that complement each other, covering the entire process from early stage R&D, clinical trials, to industrialization and commercialization, ensuring efficient synergy in every step of our business and laying a solid foundation for our long-term development. Moreover, our management team has built up solid collaboration since our founding, which we believe have fostered strong trust, tacit teamwork and stable leadership among our management. This has also natured a long-term common vision enabling us to continuously focus on technological innovation and product quality optimization, providing ongoing momentum for our steady growth.

COMPETITIVE STRENGTHS

Center on R&D and innovation to continuously enhance our cutting-edge technology platforms and develop high-quality products

We understand the critical importance of developing proprietary R&D capabilities and technology to stand out in the medical field. In the regenerative medicine industry, our R&D and preparation capabilities, along with our technology in regenerative medicine materials, are the driving forces to develop high-quality and safe medical devices that meet market demands. In the FSMP industry, the R&D and large-scale preparation capabilities for high-energy emulsion products which we possess currently constitute significant entry barriers to the FSMP industry. Over the years, we have focused on regenerative medicine devices and FSMP products, aiming to enhance product safety and effectiveness, and quality control. This focus has allowed us to accumulate extensive professional knowledge and proprietary technologies in the R&D, modification, and preparation of polymer materials and regenerative biomaterials, the R&D and preparation for microspheres, and the industrial production of high-energy density emulsions. These proprietary technologies enable us to drive innovation in regenerative polymers and biomaterials, while also allowing for large-scale production of high-quality, high-yield regenerative medicine medical devices and FSMPs.

As of the Latest Practicable Date, we had a professional R&D team comprising of approximately 46 members with extensive experience. As of the Latest Practicable Date, we had 73 patents and patent applications.

Proprietary Technologies to Develop, Modify and Prepare Polymer Materials

We prioritize enhancing product quality as our guiding principle. We are committed to developing transformative products that replace imports with our own innovations. We have gradually developed a range of polymer materials and possess the capability to develop, modify, and prepare products with the following technologies:

(i) **Anhydrous, oxygen-free ultra-high vacuum polymerization technology:** This technology enhances the activation of reactant activity, improves raw material conversion efficiency, and allows for precise control of polymer molecular weight and molecular weight distribution. As a result, our polymer materials achieve more accurate degradation control and a wider range of processing applications.

(ii) **Methanol precipitation microparticle morphology control technology:** This technology ensures that polyester material particles are uniform and moderate, significantly reducing the likelihood of agglomeration. By eliminating the need for traditional secondary granulation processes, this technology enables us to achieve kilogram-scale batch productions, minimizing batch variation risks for downstream products and enhancing overall production efficiency. As a result, we maintain a stable supply capacity.

(iii) **Efficient solvent purification technology:** This technology optimizes traditional monomer removal methods by using suitable solvent combinations and innovative addition techniques. This increases purification efficiency and improves product quality by minimizing residual monomers and catalysts, thereby enhancing the competitiveness of the relevant material in the industry.

(iv) **Directional modification technology:** The successful development of polyester materials has laid a solid foundation for modifying materials. We are well aware that the diverse applications of materials depend on directional modifications of polyester materials, including but not limited to hydrophilic modifications. By optimizing our modification technology, we have provided new insights for downstream product development based on an abundant supply of materials. Based on this technology, we have successfully developed hydrophilic-modified polyester materials in microparticle morphology, such as poly-L-lactic acid-polyethylene glycol block polymers and polycaprolactone-polyethylene glycol block polymers. By precisely regulating the hydrophilic segments, we significantly enhance the hydrophilicity, cell adhesion and collagen-stimulating capabilities of the modified materials, while maintaining the mechanical strength and stability required for preparation into microsphere morphology, thus providing a new and effective basis for our product design in the field of regenerative medicine. In addition, we have developed polycaprolactone-polyethylene glycol block polymers in hydrogel morphology. By optimizing the types and content of hydrophilic segments, we have enabled the

modification materials to be directly processed into gel states. This greatly reduces the complexity of the manufacturing process and optimizes the stability verification of compounded or combined formulations in traditional products, thereby providing a new research direction for regenerative medicine products.

Regenerative Biomaterial Technology

According to Frost & Sullivan, the extracellular matrix (ECM) is a dynamic three-dimensional network that exists naturally in living tissues. The ECM is actively secreted and continually remodeled by cells, including fibroblasts and epithelial cells. The ECM consists of collagen, elastin, fibronectin, laminin and glycosaminoglycans (such as hyaluronic acid), and is rich in growth factors and cell adhesion sites. The ECM plays a direct role in physical cell-to-cell connections, signal transmission and microenvironment regulation. Decellularized extracellular matrix (dECM) is an ECM scaffold that remains after the removal of cellular components from natural tissues or organs using physical, chemical, or enzymatic methods. The dECM shows great potential in regenerative medicine and tissue engineering due to its exceptionally low immunogenicity and inherent tissue-specific scaffold architecture as a natural biomaterial with excellent biocompatibility and degradability. ECM and dECM can guide endogenous tissue regeneration and are widely used for recalcitrant wound healing, filling tissue defects, and reinforcing soft tissue mechanically.

The primary technical challenges in applying dECM include ensuring low immunogenicity, minimizing residue, maintaining the complete natural activity of the ECM, addressing delayed immune rejection, and establishing standardized decellularization processes. Additionally, challenges in large-scale production and cost control are key bottlenecks that restrict its clinical application and commercial promotion. Our self-developed technologies have the following key advantages: (i) we are able to combine chemical reagents and enzymes to completely remove active cellular components while preserving of the natural structure and biological activity of the ECM to the largest extent possible; (ii) we have established ECM extraction and purification processes from multiple tissue sources to meet the diverse needs for regenerative medicine components in various medical applications; and (iii) we utilize dECM cross-linking technology to enhance the physical and biochemical degradation properties of materials for use in various regenerative medicine medical devices.

Building on our ECM material technology, we have conducted research on ECM formulation technology across various tissues, including animal-based tissues and collagen cross-linking methods. As a result, we have applied our self-developed regenerative biomaterials, which demonstrate excellent biocompatibility, to a range of regenerative medicine medical device product candidates including: (i) XH322, a regenerative medicine material-based medical dressings and patches product for wound repair, such as breast reconstruction from post-breast cancer surgeries, (ii) XH321, a regenerative medicine material-based injectable for urinary incontinence, and (iii) XH306 and XH307, a regenerative medicine material-based injectable for tissue defects, such as

nasolabial fold volume loss and neck wrinkles. We plan to further expand the use of dECM materials in Class III medical device products in the future. According to Frost & Sullivan, we are one of the leaders in bio-regenerative material-based products in China in terms of R&D progress and innovation.

Microsphere R&D and Preparation Technology

According to Frost & Sullivan, the key challenge in enhancing efficiency and safety of microspheres for regenerative medicine materials is achieving precise control over microsphere size to ensure they effectively promote regeneration while minimizing inflammatory and proliferative responses. If the diameter of microspheres is smaller than 20 μm, they become susceptible to phagocytosis by macrophages, resulting in rapid degradation and diminished regenerative effects. Conversely, if the diameter of the microspheres is too large, they may excessively activate the immune response, leading to inflammatory hyperplasia, among other possible adverse reactions. We have implemented an innovative emulsification solvent evaporation and screening technology to produce microspheres, achieving a breakthrough in the technical challenges of industrial-scale production. Specifically, we have a series of production facilities, including a high-speed cutting and emulsifying formulation system for aqueous and oil phases, a rapid solvent volatilization and solidification system, and an automated washing, screening and collecting system. This has enabled high-success-rate industrial production of targeted microspheres with improved size homogeneity and a narrow particle diameter distribution. Additionally, we have successfully industrialized the production microspheres made from various regenerative medicine materials, such as PLLA and PCL. In addition, our R&D platform stays at the forefront of microsphere formulation technology development both in China and internationally, incorporating techniques such as double planetary emulsification, membrane emulsification, and microfluidic microsphere formulation. In terms of microfluidic microsphere formulation technology, we have overcome the technical hurdles in mass production, and our microfluidic microsphere production line is expected to commence production in late May 2025.

Industrialization Technology of High Energy Density Emulsions

We have R&D capabilities in all three types of liquid and emulsion forms of FSMPs. We are committed to providing full coverage of specific nutritionally complete formula foods under FSMPs. According to Frost & Sullivan, increasing the energy density of high energy density emulsions typically requires the addition of high energy density components such as fat and carbohydrates, which may cause a decrease in stability. Maintaining the stability of emulsions over extended periods and preventing issues such as delamination, emulsion breakage, or precipitation are key challenges to address. In our R&D of emulsion products, we have conducted systematic technical research by integrating the preparation processes of aqueous and oily composite emulsions, focusing on the challenges of creating high-energy density emulsions related to phase boundary stability, emulsification homogeneity, and physicochemical properties. We have applied high-pressure homogenization technology to optimize the microstructure of the emulsion and

improve the dispersion stability. Additionally, our use of rotary sterilization equipment effectively avoid degradation and separation of nutrients in the process of high temperature sterilization, ensuring the stability of nutrients and bio-availability of high energy density emulsion products. Through our industrialization technology in high energy density emulsions, our emulsion products achieved an energy density ranging from 1.5 kcal/ml to 2.0 kcal/ml, allowing us to focus on the differentiated nutritional needs of patients with different specific diseases. We can produce products that better meet the nutritional needs of specific patients with differentiated nutritional needs, as the energy density of our emulsion products can reach up to 1.5 kcal/ml to 2.0 kcal/ml, significantly higher than the market standard of liquid nutritionally complete FSMPs with an energy density of 1.0 kcal/ml according the Frost & Sullivan.

Robust product pipeline specifically focused on regenerative medicine medical devices and FSMPs

We have been dedicated to two healthcare markets, regenerative medicine medical devices and FSMPs markets, accumulating profound industry and technological expertise. As of the Latest Practicable Date, we had a number of major products under development and a number of products approved for marketing.

Regenerative Medicine Medical Devices

Regenerative Medicine Material-based Injectables

Our Core Product, XH301, composed primarily of PLLA and CMC, is intended for injection into the deep dermis to correct moderate-to-severe volume loss in nasolabial sulcus. XH301 uses microspheres instead of irregular particles, benefiting from our advanced microsphere formulation technology which ensures a homogeneous distribution of microsphere particle sizes, effectively reducing irritation and risk of adverse reactions. In our multi-center clinical trials for XH301 covering 252 subjects, which was successfully completed obtaining a final report in July 2024, XH301 had demonstrated superior efficacy as compared with the imported hyaluronic acid control product with no significant difference in safety profile. We submitted an application for Class III medical device registration for XH301 to the NMPA in November 2024, which was under review as of the Latest Practicable Date. In addition, to expand the international market presence of XH301, we are preparing to submit an application for CE Marking certification in the EU and plan to authorize a business partner to make the registration application for our XH301 in various countries and regions in Southeast Asia in the second half of 2025, respectively. Other than our Core Product, as of the Latest Practicable Date, we had one product candidate, namely XH305, under registration review, six clinical stage product candidates and five pre-clinical stage product candidates in our regenerative medicine material-based injectables pipeline, including one bioregenerative material-based product candidate (XH321) that we are actively advancing intended for clinical applications in the treatment of female stress urinary incontinence.

Regenerative Medicine Material-based Medical Dressings and Patches

According to Frost & Sullivan, traditional medical dressings used in clinical practice are primarily composed of cotton gauze and cotton pads, serving to protect wounds and minimize microbial invasion. However, they have significant limitations in creating an optimal environment for tissue regeneration, stimulating the tissue regeneration response, and ultimately accelerating wound closure, resulting in low effectiveness in improving recovery and minimizing surgical scars. Regenerative medicine material-based medical dressings and patches have a good potential to address the limitations of traditional medical dressings in trauma repair sector due to their distinct advantages. When compared with traditional medical patch products, regenerative medicine material-based medical dressings and patches provide better biocompatibility, low immunogenicity, allowing for better integration with patients' tissues promoting new tissue regeneration, demonstrating a vast application potential.

As of the Latest Practicable Date, we had seven regenerative medicine material-based medical dressing products that had obtained registration certificates for Class II medical device and one Class III regenerative medicine material-based medical patch product in pre-clinical stage. Our regenerative medicine material-based medical dressings address various medical needs, including wound repair, by activating the regeneration and reconstruction of local tissues, promoting rapid recovery and facilitating the early recovery of post-traumatic bodily functions. As of the Latest Practicable Date, we were actively promoting the development of one regenerative medicine material-based patch product, namely XH322, made from acellular matrix processed primarily through cross-linking. XH322 is mainly intended for breast reconstruction following post-breast cancer surgeries.

FSMPs

According to Frost & Sullivan, FSMPs are formula foods that are customized and formulated to provide nutritional supplements to individuals with particular disease conditions. FSMPs are subject to regulatory registration requirements, and shall be used only under the instruction of a physician or clinical dietitian. FSMPs, by providing precise nutritional support, are able to effectively improve the patients' survival rate, reduce hospitalization duration, lower medical costs and decrease the incidence of re-hospitalization and complications. This ultimately reduces the medical burden on citizens and enhances their physical health and quality of life. The FSMP market in China had a relatively late start with low social awareness as compared to well established FSMP markets in developed economies. In recent years, the accessibility of FSMPs in China had grown rapidly driven by various measures and initiatives from Chinese regulators. The FSMP market size in China is expected to grow from approximately RMB6.0 billion in 2023 to approximately RMB23.8 billion in 2032, with a CAGR of 15.9%.

According to Frost & Sullivan, liquid FSMP products are easier to use and more stable in clinical applications compared to the more commonly seen powder products, making liquid FSMP products the future trend of FSMPs. We have focused on liquid FSMP products and are continuously developing innovative technologies centered on high energy density emulsions. Our emulsion FSMP products can reach a maximum energy density of 1.5 to 2.0 kcal/ml, significantly higher than the market standard of 1.0 kcal/ml for liquid nutritionally complete FSMPs according the Frost & Sullivan. Our emulsion FSMP products are therefore more suitable for the nutritional needs of specific patients with differentiated nutritional needs. In November 2021 and April 2023, we obtained the registration certificates of the carbohydrate component formula food for special medical purposes, namely Xi Qin (西沁), and the electrolyte formula food for special medical purposes, namely Xi Hongyuan (西泓源), respectively. We successfully commercialized Xi Qin (西沁), achieving sales of approximately 200 thousand bottles and approximately 300 thousand bottles in 2023 and 2024, respectively, with a growth rate of over 50%. According to Frost & Sullivan, we ranked top three in terms of sales volume of liquid-based carbohydrate component formula products in China in 2024.

As of the Latest Practicable Date, in our FSMPs product pipeline, we had (i) one non-nutritionally complete formula food under registration review and one non-nutritionally complete formula food under development, (ii) two nutritionally complete formula foods under development, and (iii) three specific nutritionally complete formula foods under development, i.e. our specific nutritionally complete formula foods for diabetes, kidney disease (without dialysis), and chronic obstructive pulmonary disease. As of the Latest Practicable Date, according to Frost & Sullivan, there was only one specific nutritionally complete formula food approved in China, namely Su Yi Su (速熠素), a nutritionally complete FSMP specifically for oncology patients over the age of 10 who are at nutritional risk or malnourished. Our specific nutritionally complete formula food for diabetes has the potential to become the first product of its kind to be approved in China.

Mature and high-standard production capability quality control system to support our long-term development

We believe that mature and high-standard production capacity and strict quality control system are the cornerstones of our long-term development.

Mature and High-Standard Production Capacity

We have a large-scale production base in National Economic and Technological Development Zone, Shuyang county, Jiangsu province, which is designed with reference to China's GMP standards, EU MDR standards and U.S. FDA standards for medical devices and National Food Safety Standard (GB 29923-2023) for FSMPs. Our Shuyang Manufacturing Facility is equipped with a production workshop for regenerative medicine medical devices, with a combined annual production capacity of up to 10 million doses. It was one of the largest production lines for

regenerative medicine materials in China as of the Latest Practicable Date, according to Frost & Sullivan. We have a series of production equipment at our Shuyang Manufacturing Facility, including aqueous and oil phase high-speed cutting and emulsifying formulation system, solvent rapid volatilizing and solidifying system, automatic washing, screening and collecting system, multi-dimensional mixing equipment for high-viscosity gels and microspheres, and sterilizing equipment for high-viscosity gels. According to Frost & Sullivan, we are one of the leaders in China with microsphere industrialization preparation process pre-filling process for mixing microspheres and high-viscosity gels, and possess the technology to ensure sterility throughout all processes. In addition, our microfluidic production line at our Shuyang Manufacturing Facility is expected to commence production in late May 2025, and therefore we are expected to become one of the first Chinese companies that have commenced the operation of a microfluidic production line in China according to Frost & Sullivan.

In March 2025, we commenced construction at our production facility at our Chengdu headquarters, designed for producing polymer raw materials, biological raw materials, and biologically-sourced material products. The production facility aims to strengthen the upstream of our product industry chain and to promote the industrialization of new products.

In addition, our FSMP workshop in Shuyang Manufacturing Facility is customized to target two major production lines for liquids, including emulsions. As of the Latest Practicable Date, the emulsion production line had been producing two products and had successfully manufactured both acidic and neutral emulsion systems using high pressure homogenization and static/rotary sterilization equipment. We believe that superior production capability is essential for the high quality and stability of our products. Therefore, we have spared no efforts to improve production technology and optimize production processes to ensure that every product meets high quality standards.

Strict Quality Control System

We have an all-around quality management system, which has been established and further enhanced in strict compliance with the regulations and guidelines of GB/T 42061-2022 standard, ISO 13485:2016 standard, and MDR (EU) 2017/745 standard. We closely monitor updates on quality standards and regulations from China regulatory authorities and organizations which implement international standards, and further advance and improve our system management and internal control procedures accordingly, striving to meet the highest international standards in terms of user safety and regulatory compliance. In order to safeguard product quality, we strictly control the quality of raw materials, and conduct strict audits and tracking of the size, credibility, and qualifications of suppliers who enter our system. We test, analyze, and compare all incoming materials, and keep samples of incoming and outgoing goods in order to ensure that each batch of products is traceable. As of the Latest Practicable Date, we had 25 quality engineers, over 20 precision analytical and testing instruments including liquid chromatograph, gas chromatograph, ion chromatograph, and atomic absorption spectrophotometer. Our quality control team implements

a complete implantable sterile device full-process testing, and perform day-to-day professional testing, quality monitoring and real-time tracking of the whole process of production, to fully guarantee the safety and stability of raw materials and products.

Establish commercialization collaborations with well-recognized business partners to establish compliant and well-organized sales channels

We adhere to a business concept of driving commercialization through technological innovation, offering reliable and quality products. Based on this, we have entered into strategic collaborations with two partners who are reputable in the industry with well-established sales channels and marketing resources, under which we have licensed-out exclusive commercialization rights for a total of five regenerative medicine material-based injectables product candidates in China, demonstrating strong recognition of the quality of our product candidates by key industry players. This includes three exclusive license agreements with an affiliate of a leading pharmaceutical company listed in Hong Kong, and a strategic collaboration agreement with So-Young International Inc., a company listed on the NASDAQ (stock code: SY, "**So-Young International**"). See "— Our License-out and Collaboration Arrangements." We believe that through in-depth cooperation with key industry players, we are able to effectively leverage the market influence and promotional resources of our partners, allowing us to focus more on technological innovation and product quality optimization. Additionally, we believe that the extensive market channel and sales network of our well-recognized business partners will help us establish a better and well-organized commercialization network that is in compliance with regulatory requirements.

Experienced management team and strong beliefs in long-term business, supported by reputable investors

With the mission to promote the R&D, innovation and healthy development of regenerative medicine medical devices and FSMP industries, our management team is committed to the development and provision of products with reliable quality and leading technologies. Our visionary management team has profound industry experience, strong academic background and deep market insights, and thus are able to accurately and timely grasp the pulse of industry development. Our management team has comprehensive skills that complement each other, covering the entire process from early stage R&D, clinical trials, to industrialization and commercialization, ensuring efficient synergy in every step of our business and laying a solid foundation for our long-term development.

Our management team is led by our founder, Chairman and General Manager, Mr. Zhang Xinming (張新明), who has a bachelor's degree in pharmacy from West China Medical Center, Sichuan University (四川大學華西醫學中心) (formerly known as West China University of Medical Sciences (華西醫科大學)) in China. Mr. Zhang has nearly 30 years of experience in the pharmaceutical industry, and served as senior roles in several leading pharmaceutical companies in

China responsible for their overall management and operations. Dr. Fu Jie (付劼), our vice president, has a doctorate degree in biology and medicine from Central South University (中南大學) in China, and has over 29 years of experience in the pharmaceutical industry. Dr. Fu was recognized as an innovative leader in the Wuxi City Taihu Talent Program (太湖人才計劃) in 2018. Mr. Tang Haiwei (唐海威), our vice president, has a master's degree in business administration from Xiamen University (廈門大學) in China, and has more than 26 years of experience in the pharmaceutical industry. Mr. Tang is a veteran in financial management and served in senior positions in several leading pharmaceutical companies in China. Mr. Wang Xuhai (王緒海), our vice president, has a master's degree in business administration from Peking University (北京大學) in China, and served in management positions in several leading companies in China in different industries. Mr. Zhang Tianming, is qualified as China Manager (中國經理人) from Guanghua School of Management, Peking University (北京大學光華管理學院) in the PRC in October 2023. Our management team has built up solid, long-term collaboration in their various career stages even before our founding and until now, which we believe have fostered strong trust, tacit teamwork and stable leadership among our management. This has also natured a long-term common vision enabling us to continuously focus on technological innovation and product quality optimization, providing ongoing momentum for our steady growth.

Since our inception, we have been favored by a number of well-known investors. We have received investments from both strategic and financial investors including Beijing Sun-Novo Pharmaceutical Research Co., Ltd (北京陽光諾和藥物研究股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688621.SH), Hainan Kangzhe Venture Capital Co., Ltd. (海南省康哲創業投資有限公司), an affiliate of China Medical System, Shenzhen Capital Group Co., Ltd (深圳市創新投資集團有限公司), Shenzhen HTI Group (深圳市高新投集團有限公司) and Chengdu Jiaozi Investment (成都交子公園投資控股有限公司). Our investors have accumulated valuable experience in the field of managing and developing healthcare companies and are capable of providing both strong financial support, industry resources, and professional advice for our product development and commercialization.

GROWTH STRATEGIES

Efficiently and effectively advance the product development process, and explore the potential applications of innovative products

In terms of regenerative medicine medical devices, we plan to efficiently and effectively advance the R&D progress of the eight product candidates that were under clinical or registration review stages as of the Latest Practicable Date, including XH301, our Core Product, XH305 under the NMPA registration review stage, and six product candidates under the clinical trial stage. We are also preparing to submit the application for CE Marking certification in the EU for our Core Product, XH301.

We also expect to proactively advance the development of our product candidates in the preclinical stage, especially including, among others, XH309 and XH312 which are PEG-modified regenerative medicine material-based injectables, XH306 which is a regenerative medicine material-based injectable product candidate with porcine collagen type I as its main component, XH321 which is a regenerative medicine material-based injectable product candidate for the treatment of female stress urinary incontinence indications, and XH322 which is a regenerative medicine material-based medical patch product candidate for breast reconstruction after breast cancer surgery. We aim to advance these products to the clinical trial stage as soon as possible.

In addition, we are actively exploring the potential applications of emerging technologies in the field of regenerative medicine. We believe that by combining the stimulatory regeneration of polymer materials with the induced regeneration of biological regenerative materials, we can effectively stimulate and induce two different biological targets, making it possible to achieve safety and natural results in clinical application through the combination of induced regeneration and biostimulation regeneration. XH321, our first composite dual-target regenerative medicine material-based injectable product candidate, designed for the treatment of female stress urinary incontinence, was in the preclinical research stage as of the Latest Practicable Date.

We also plan to accelerate the R&D process for FSMPs, including our product candidates of non-nutritionally complete formula foods (protein components, fluid formulas), nutritionally complete formula foods (whole proteins, short peptides), and specific nutritionally complete formula foods (diabetes-specific, nephropathy-specific, and chronic lung obstruction).

Continuously innovate technologies to stay at the forefront of industry trends and enhance our core competitive advantages

We plan to continue to invest in microsphere R&D and preparation technology, especially in preparation technology of microfluidic microsphere. We plan to continue to invest in microsphere preparation technologies applicable to various polymer materials, to achieve further uniformity in the size and morphology of polymer microspheres, and to continue to enhance the safety, efficacy and quality control of our products.

In addition, we plan to continue to invest in the research, modification and preparation technologies in polymer materials, particularly in innovative material modification technologies, in order to improve the effectiveness of our products and reduce adverse reactions. Specifically, we will increase our investment financial, talent or otherwise in research areas such as the modification of polymer materials and gel materials (such as HA and collagen) using PEGylation technology to increase the water solubility of the materials and enhance biocompatibility.

Furthermore, we plan to continue to invest in our bio-regenerative materials technology, particularly in the research of the extraction process and characterization of the components of ECM materials from different sources, based on which we will modify, derivatize and prepare

ECM materials with higher safety profile and more reasonable degradation characteristics. This initiative is intended to accelerate the clinical trial process and pre-clinical studies for our bio-regenerative materials product pipeline.

We also plan to continue to invest in FSMPs technologies, including the industrialization technology of high energy density emulsions, especially for people with special nutritional needs, and continue to research, develop and optimize process technologies for emulsions that are different from ordinary nutritionally complete products, especially high-energy density products for people with fluid restriction and low-GI products for people with diabetes. We plan to increase our investment in basic research on raw materials and adaptive stabilization systems, and we will explore unique market pathways for emulsion technology development and continue to strengthen our industry leadership through key process research on primary emulsification (shearing), fine emulsification (homogenization) and sterilization.

Enhance our manufacturing facilities and continue to promote innovation in industrial production capabilities

We plan to further enhance our manufacturing facilities in Shuyang and Chengdu. We have completed the construction of our Shuyang Manufacturing Facility and our microfluidic production line in our Shuyang Manufacturing is expected to commence production in late May 2025. We were in preparation for CE Marking certification application in our Shuyang Manufacturing Facility as of the Latest Practicable Date. Meanwhile, we have initiated the construction of phase I of our manufacturing facility at our Chengdu headquarters, followed by phase II expected to be commenced in the first half of 2027. Our Chengdu production facility is mainly intended for the production of polymer raw materials, biological raw materials, and biologically-sourced material products, in order to supplement the upstream of our raw material industry chain and to promote the industrialization of the new products.

We also plan to continue to improve our quality control system. In order to enhance the stability and reliability of our product quality, we strive to ensure that every step of the process, from the procurement of raw materials to the shipment of our products, complies with international standards by introducing state-of-the-art testing equipment, optimizing inspection processes, strengthening staff training and implementing stringent quality control measures. We will also continue to improve our product tracing system to ensure product transparency and build trust in the marketplace in order to satisfy customers' demand for high quality products. We believe that through these initiatives, our quality control system will become more scientific and systematic, providing a solid foundation for our sustainable development.

Explore commercialization collaboration and globalization opportunities to access new markets when appropriate

We plan to pursue collaborations with well-known and sophisticated partners in the industry to successfully promote and commercialize our products. As of the Latest Practicable Date, we had not yet identified any specific collaboration partners.

In addition, we plan to enhance the international market recognition of our products. We are preparing to submit the application for CE Marking certification for XH301 as the first step to enter into the EU market. We are also actively exploring opportunities in other overseas markets. For instance, we plan to authorize a business partner to make the registration application of XH301 in various countries and regions Southeast Asia in the second half of 2025 to expand our business territory.

OUR PRODUCT PORTFOLIO

As of the Latest Practicable Date, our product portfolio primarily consisted of regenerative medicine medical devices and foods for special medical purposes (FSMPs).

As of the Latest Practicable Date, our product line of regenerative medicine medical devices mainly included: (i) regenerative medicine material-based injectables, primarily including 13 product candidates regulated as Class III medical devices in China, and (ii) regenerative medicine material-based medical dressings and patches, including seven products regulated as Class II medical devices in China and one product candidate under development regulated as Class III medical device in China as of the Latest Practicable Date. In 2023 and 2024, we did not generate any revenue from our regenerative medicine material-based injectable product candidates. We generated revenue from sales of regenerative medicine material-based medical dressings and patches in 2023 and 2024 of RMB3.6 million and RMB3.6 million, respectively, representing 27.9% and 24.9% of our revenue in the same periods, respectively.

For our FSMP product line, we have launched two non-nutritionally complete formula food products, and had seven product candidates in pipeline as of the Latest Practicable Date, including three specific nutritionally complete formula foods which are the focus of our FSMP product line in the near future. In 2023 and 2024, we recorded revenue from the sales of our FSMP products of RMB1.2 million and RMB1.8 million, respectively, representing 9.3% and 12.2% of our revenue in the respective year.

With our robust and comprehensive product portfolio, we aim to become a leader in the regenerative medicine medical device industry and a pioneer in the FSMP industry in China. We also expect to expand our global footprint by having been preparing to apply for CE Marking certification in the EU for XH301 in 2025.

Regenerative Medicine Medical Devices

Regenerative medicine is an emerging, multidisciplinary medical field that seeks to rebuild or replace damaged tissues using methods such as regenerative biomaterials and tissue engineering. Its core value lies in breaking through the limitations of traditional medicine by harnessing the body's repair potential to achieve tissue regeneration.

Regenerative medicine materials are currently a sector in the regenerative medicine industry that has more advanced clinical progress, stronger commercial certainty, and a clearer path of technology transformation, compared to other approaches such as tissue engineering. In the regenerative medicine materials sector in China, the clinical application of regenerative medicine materials is continuing to deepen, and the forms of regenerative medicine material products are increasingly diversified. This industry has seen changes from natural materials to synthetic materials, from single materials to composite materials, and from simple applications to high-end applications. In terms of material types, animal-based materials and polymer materials, as the main types of regenerative medicine materials, are currently the main focus of the active domestic market players. While in terms of clinical applications, regenerative medicine medical devices represent a major application area for regenerative medicine materials. Regenerative medicine medical devices are those used to restore, replace, or reconstruct cells, tissues, or organs to treat or alleviate disease, which typically involve biomaterials and tissue engineering techniques designed to promote tissue regeneration and repair. In terms of clinical applications of regenerative medicine medical devices, in addition to applications in orthopedics, regenerative medicine materials are considered a cutting-edge exploration direction in the field of medical injectables, while the application of regenerative medicine materials in wound repair such as biological patches and tissue-engineered skin has also attracted widespread attention.

Leveraging our accumulated expertise in regenerative medicine materials and technologies over the past decade, our regenerative medicine medical device product line has completed the transformation of technological advancements in regenerative medicine materials into mature products that meet market demands. As a platform-based regenerative medicine materials technology company, we have already established a product portfolio in two major areas: regenerative medicine material-based injectables, and regenerative medicine material-based dressings and patches.

Regenerative Medicine Materials and Key Technologies and Technological Transition

We are a pioneer in the field of regenerative medicine in China, conducting R&D on various materials to advance regenerative medicine technologies. In particular, as we recognized the exceptional biocompatibility and degradability of regenerative polymers and biomaterials, which can guide tissue repair and regeneration of the body, offering broad potential in medical

applications, we have strategically focused on the R&D, preparation and technology development of these two types of materials, and have successfully translated materials and technologies into mature products.

Regenerative Polymers

Technical Background

Degradable polymeric polyester materials represented by PLLA and PCL have strong plasticity and stability, as well as excellent biocompatibility and biodegradability, which can enable cell adhesion and migration and stimulate the regeneration of native collagen, facilitating the healing, repair and regeneration of skin, tissues and organs. These materials are indispensable innovative materials in the field of regenerative medicine, with applications including implantation and other medical uses. The main applications of PLLA and PCL include:

- **Bone repair:** Due to their physical and chemical properties similar to bone tissue, PLLA and PCL can be used to create bone repair materials such as bone scaffolds and bone screws. Research has shown that when PLLA is combined with bioactive substances such as bone morphogenetic proteins and osteoblasts, it can accelerate bone regeneration and healing, thereby accelerating fracture healing.

- **Skin regeneration:** PLLA and PCL can be processed into microspheres of various distributions and sizes through technology means, which can then be utilized to stimulate the repair and regeneration of skin or soft tissue defects, achieving anti-aging effects.

- **Soft tissue repair and organ engineering:** The plasticity and degradability of PLLA and PCL make them ideal for tissue repair materials such as artificial blood vessels and artificial esophagus. Furthermore, PLLA scaffolds can provide excellent support and biocompatibility and promote cell growth and differentiation, thus enabling the repair and regeneration of damaged tissues.

Our Approach for R&D

The regenerative polymer materials we are developing are increasingly applied in the medical field. In addition to the successful application of functional materials such as hydroxyapatite and PDRN derived from regenerative medicine products, we have successfully translated synthetic regenerative polymers, represented by PLLA and PCL for which we already have mature preparation technology, into regenerative medicine materials and medical devices in our pipeline. Both developments enhance our influence in the field of regenerative medicine materials. We will continue to standardize the design and development processes and quality system management, and expand the variety and scale of mass production of regenerative polymers through accumulating material development experience and improving production technology.

Our Research Progress and Technological Achievements

In order to standardize our material research and production processes, we have designed a quality management procedure for regenerative polymer materials according to relevant medical device regulations, and expect to obtain ISO13485 quality management system certification by June 2025. Meantime, we expect to obtain the master file registration qualification for two regenerative polymer polyester materials (i.e. PLLA and PCL) by August 2025, securing stable performance evidence for our polyester materials. In addition, we are also conducting routine physical and chemical performance verifications for regenerative polymer materials such as PLLA and PCL, along with biological evaluations and animal studies to verify material safety. Ongoing in vivo and in vitro degradation studies will further clarify the performance of these materials. Furthermore, we have also simulated the environmental requirements for material transportation and storage and carried out related research such as simulated transportation and stability experiments, and packaging material compatibility experiments to verify the stability of our products.

Building on the premise of stable polyester material performance, we have currently developed and accumulated a number of polymer material R&D, modification and preparation technologies. These technologies enable a seamless operation for material development and stable supply.

Our technologies have been successfully used in the preparation of new materials for our various products. For example, PLLA is used in XH301, such as the usage of PLLA-PEG in XH312. Compared with other materials, the molecular weight distribution is narrower in PLLA and PCL, where material properties such as intrinsic viscosity can be more precisely controlled, improving product outcome reliability and leading to smaller batch-to-batch differences.

Our technologies in the R&D, modification and preparation of polymer materials have enabled us to produce PEG-modified products, such as XH309. PEG-modified products can accurately control the PEG content, allowing the materials to have better cell adhesion ability and biodegradation cycle control. PEG-modified products offers more options in the product design process and has the potential to develop more varieties of products.

Our Future Research Expansion

In addition to focusing on the technologies and experiences accumulated during the development of regenerative polymer materials, we will also explore the modification of polymer materials and their applications, improve the development of a large-scale supply platform for regenerative materials, and actively expand the development of regenerative polymer materials based on the market demand of regenerative medicine. We plan to expand our research of regenerative polymers in the following areas:

- **Other regenerative polyester polymer materials:** Driven by the demand for fully degradable materials in the field of injectable filling medicine, we plan to develop additional regenerative polyester materials such as polylactic acid-co-glycolic acid (PLGA), polyglycolic acid (PGA), polylactide-caprolactone (PLCL), and poly (p-dioxanone) (PPDO), which also offer excellent biocompatibility and degradation performance. Due to their unique characteristics, they are preferred choices in relevant regenerative fields. For example, poly (p-dioxanone) (PPDO), a biodegradable aliphatic polyester, exhibits superior mechanical properties, biocompatibility and controllable degradation rate. It has been widely used in the biomedical field, such as surgical sutures, controlled drug release systems, and tissue engineering scaffolds.

- **Regenerative polyester and amino acid polymer modified materials:** We are conducting R&D on copolymer modification techniques by combining traditional regenerative polyester materials with other materials with excellent safety and biocompatibility, such as amino acid-based crosslinkers, peptide blocks or polyamino acid segments including poly-L-lysine cross-linked poly-L-lactic acid copolymers and poly-aspartic acid poly-L-lactic acid copolymers. Since the primary structure of these materials is composed of amino acids or their derivatives, these molecules can form cross-linked networks or block copolymers through chemical reactions or physical interactions with polyester materials, thereby imparting new properties to the materials. Amino acid cross-linked polyester materials are a class of degradable polymer materials with excellent mechanical properties, biocompatibility and functional characteristics. The introduction of amino acids can significantly improve the performance of polyester materials and impart them with new functionalities. These materials have broad application potentials in drug delivery, tissue engineering and biomedical fields. As the research of synthesis technology and its application continues to deepen, amino acid cross-linked polyester materials will play an increasingly important role in biomedical engineering.

- **Polyamino acid-based regenerative materials:** Amino acids are essential substances in human life activities, and play key roles in protein synthesis, metabolic regulation, energy supply, neurotransmitter synthesis, immune function, hormone and enzyme synthesis, tissue repair, acid-base balance, transport and storage, and genetic information

transfer which form the foundation for maintaining life activities. The excellent biocompatibility and safety of these materials give them a natural advantage in medical applications. We plan to develop polyamino acid materials, such as polyglutamic acid and poly-L-hydroxyproline, to continuously expand the material options available in the field of regenerative medicine filling injectable products.

- **Regenerative polyester and bioactive component modified materials:** With the development of the pharmaceutical industry, the advantages of bioactive components are increasingly attracting attention. Although bioactive substances under development are still limited, a large number of bioactive components hold significant potential for material modification research, such as vitamin C, glutathione, chondroitin sulfate, ceramide and organic zinc. These bioactive components play crucial roles in promoting cell proliferation, tissue repair, immune regulation and anti-oxidation, and are widely used in drug delivery, tissue engineering, wound healing and aesthetic medicine. We plan to modify active components and polyester polymer materials through physical or chemical means to create new stable structures that can be used for the development and research of directional materials and provide new directions for material sourcing in the regenerative medicine field.

Regenerative Biomaterials — ECM/dECM

Technical Background

The extracellular matrix (ECM) is a dynamic three-dimensional network that exists naturally in living tissues. The ECM is actively secreted and continuously remodeled by cells such as fibroblasts and epithelial cells. The ECM consists of collagen, elastin, fibronectin, laminin and glycosaminoglycans (such as hyaluronic acid), and is rich in growth factors and cell adhesion sites. The ECM is directly involved in physical cell-to-cell connections, signal transmission and microenvironment regulation. Decellularized extracellular matrix (dECM) is an ECM scaffold retained after removing cellular components from natural tissues or organs using physical, chemical or enzymatic methods.

As a natural biomaterial with excellent biocompatibility and biodegradability, dECM exhibits extremely low immunogenicity and natural tissue scaffold structure, which is highly promising for applications in the fields of regenerative medicine and tissue engineering. dECM can guide tissue regeneration and is widely used in repairing refractory wounds, filling tissue defects, and reinforcing soft tissue mechanics.

Our Research Progress and Technological Achievements

Focusing on the development and industrialization of dECM regenerative materials, we have conducted in-depth studies on ECM raw materials, extraction and purification processes, material characterization, and techniques for reducing the immunogenicity of ECM raw materials. By exploring the research into cross-linking modification processes, we have developed a series of ECM regenerative materials which can be applied in various regenerative medical devices.

As of the Latest Practicable Date, we have developed the following regenerative biomaterial technologies:

- **Combining chemical reagents and enzymes to completely remove cellular components while preserving the natural structure and biological activity of ECM to the largest extent possible:** The core technology for preparing dECM involves the combined use of chemical reagents and enzymes. This technology can precisely regulate the synergistic effects of chemical detergents and enzymes to completely remove cellular components while preserving the natural structure and biological activity of ECM to the maximum extent. This technology not only translates dECM from the laboratory to industrialization, but also becomes a core technical pillar for constructing functional bioscaffolds.

- **Establishing ECM extraction and purification processes to extract regenerative components from various tissues to satisfy the needs of different medical purposes:** We have developed decellularization processes to remove cells from specific tissues, such as bones, cartilages, dermis and small intestines. These tissues can be processed into various forms, such as membranes, powders and hydrogels to adapt to different application scenarios and surgical requirements.

  Our process preserves the composite structure and bone-inductive signals of natural bone, maintains the basal membrane collagen and epithelialization signals (TGFβ-1) in the dermis, and preserves the multi-layered fibrous structure and growth factors in the small intestine, which is conducive to promoting soft tissue regeneration. We have successfully established large-scale production for decellularized dermal matrix raw materials with standardized production processes and evaluation standards in place. We expect to complete the medical device master file registration in 2025.

- **Utilizing genetic engineering technology to advance research on tissue engineering repair materials:** This approach avoids the ECM heterogeneity caused by natural tissues due to age and pathological conditions, enabling standardized production. It minimizes immunogenic risks, ensuring no residual animal components. Recombinant

collagen is highly compatible with the human extracellular matrix, promoting cell adhesion and proliferation, and it can naturally degrade into amino acids, posing no risk of metabolic residues.

- **Using dECM cross-linking to improve the physical and biochemical degradation properties of materials for applications in various regenerative medical devices:** ECM cross-linking and modification processes aim to enhance mechanical stability, control degradation rates, and optimize biological performance, thereby addressing the damage to the natural structure caused by the decellularization process. For different application fields, we can adjust the degree and type of cross-linking and prepare dECM products that meet specific clinical needs. The mechanical properties of dECM products prepared by our cross-linking technology are close to those of natural tissues. After cross-linking, the tensile strength of decellularized dermal matrix increased from approximately 5 MPa to approximately 20 MPa, and the compressive modulus of decellularized bone matrix increased from approximately 50 MPa to approximately 120 MPa, matching approximately 80% of natural cancellous bone (~150 MPa). The ideal dECM has a longer biodegradation time to continuously stimulate cell regeneration and repair and enhance therapeutic effects. The degradation rate matches the tissue repair process. If dECM is degraded before tissue regeneration, structural collapse may occur due to the lack of filler. If degradation is too slow, residual dECM fragments may hinder cell migration or trigger foreign body reactions. After our processing, the in vitro anti-trypsin digestion resistance of decellularized dermal matrix increased by 20 times.

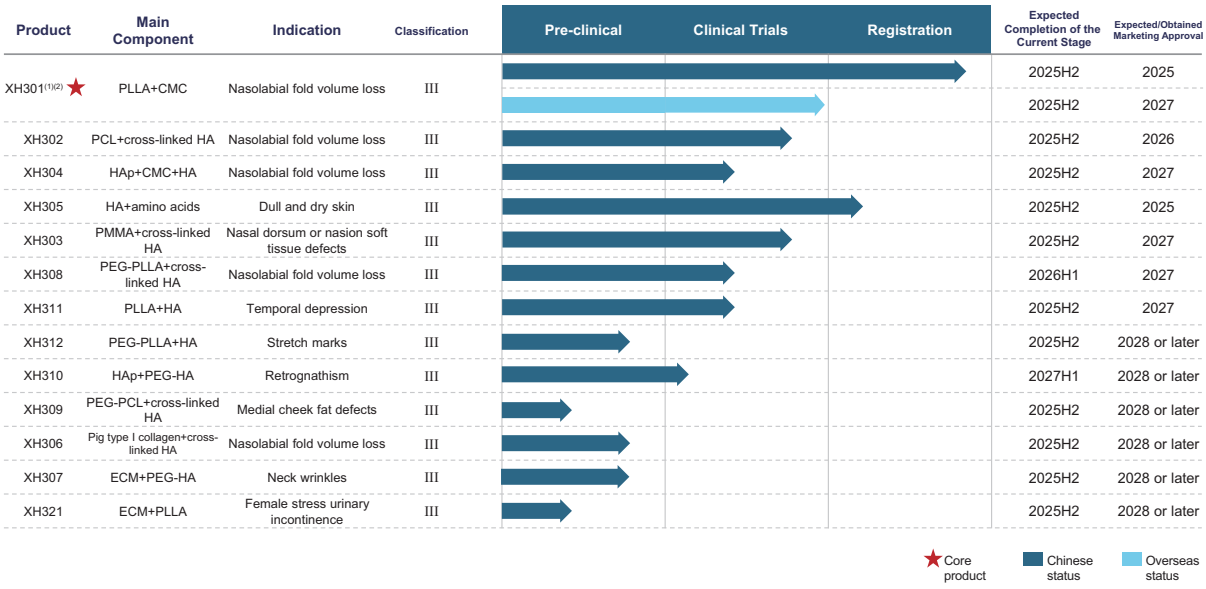
The dECM we developed is a regenerative biomaterial with excellent biocompatibility and biodegradability, which can be processed into membrane, gel, particles and other forms based on the medical needs for targeted regenerative devices. As of the Latest Practicable Date, we have successfully applied this material in our regenerative medical devices, including trauma repair (such as breast patches or biological patches) product XH322, tissue scaffolds (urinary incontinence) represented by XH321 and tissue volume loss fillers (regenerative material implants) represented by XH306 and XH307. We expect to further expand the application of dECM materials in Class III medical device products in the future.

Regenerative Medicine Material-based Injectables

We had one of the most robust and comprehensive product pipeline in regenerative medicine material injectable market in China in terms of the number of product candidates and indication coverage as of the Latest Practicable Date, comprising 13 injectable product candidates, according to Frost & Sullivan. Our regenerative medicine material injectable product candidates are next-generation products developed to address the diverse and growing demands in China for regenerative medicine medical devices. Benefiting from our robust product pipeline, we expect to launch XH301 and XH305 in China in 2025, and continue to launch new regenerative medicine material injectable products in the next three years.

The following pipeline chart sets forth a summary of our internally-developed regenerative medicine material injectable product candidates as of the Latest Practicable Date:

Product	Main Component	Indication	Classification	Expected Completion of the Current Stage	Expected/Obtained Marketing Approval
XH301[(1)(2)] ★	PLLA+CMC	Nasolabial fold volume loss	III	2025H2	2025
				2025H2	2027
XH302	PCL+cross-linked HA	Nasolabial fold volume loss	III	2025H2	2026
XH304	HAp+CMC+HA	Nasolabial fold volume loss	III	2025H2	2027
XH305	HA+amino acids	Dull and dry skin	III	2025H2	2025
XH303	PMMA+cross-linked HA	Nasal dorsum or nasion soft tissue defects	III	2025H2	2027
XH308	PEG-PLLA+cross-linked HA	Nasolabial fold volume loss	III	2026H1	2027
XH311	PLLA+HA	Temporal depression	III	2025H2	2027
XH312	PEG-PLLA+HA	Stretch marks	III	2025H2	2028 or later
XH310	HAp+PEG-HA	Retrognathism	III	2027H1	2028 or later
XH309	PEG-PCL+cross-linked HA	Medial cheek fat defects	III	2025H2	2028 or later
XH306	Pig type I collagen+cross-linked HA	Nasolabial fold volume loss	III	2025H2	2028 or later
XH307	ECM+PEG-HA	Neck wrinkles	III	2025H2	2028 or later
XH321	ECM+PLLA	Female stress urinary incontinence	III	2025H2	2028 or later



Abbreviations: H1 means first half, H2 means second half

Notes:

(1) We were preparing to submit application for CE Marking certification in the EU for XH301 as of the Latest Practicable Date.

(2) For the purpose of commercialization of XH301 in the EU, based on our communication with a CRO engaged by us, we understand that the clinical trial data of XH301, once approved by the NMPA, can be used for application for registration in the EU. Prior to entering and operating in any region outside of mainland China, we will conduct comprehensive and continuous analysis on the market conditions and regulatory requirements, engage overseas consultants with local expertise and seek professional advice whenever necessary to ensure local compliance.

Market Opportunity and Competition

According to Frost & Sullivan, the regenerative medicine material-based injectables market in China expanded from RMB0.2 billion in 2019 to RMB2.9 billion in 2023, representing a CAGR of 96.6%. The rapidly growing market resulted from the expanding market demand and the continuous innovation of regenerative medicine material-based injectables. The regenerative medicine material-based injectables market is expected to generate revenue of RMB18.5 billion in 2032, representing a CAGR of 21.5% from 2024 to 2032. With the increasing usage of regenerative medicine material-based injectables in China, there is a huge market potential for regenerative medicine material-based injectables in multiple therapeutic areas. See "Industry Overview — Overview of Regenerative Medicine Material-based Injectables Market."

XH301 — Our Core Product

XH301 is a regenerative medicine material injectable product comprising PLLA and CMC designed for the treatment of nasolabial fold, internally-developed with our industry-leading polymer microsphere technology. In a multicenter clinical trial involving 252 subjects, XH301 was demonstrated to be superior to the imported hyaluronic acid control product in terms of efficacy, with no significant difference in safety.

During the Track Record Period, we successfully completed the preclinical studies and clinical trial of XH301. We submitted a registration application to NMPA for XH301 for the treatment of nasolabial fold in November 2024, and we expect to complete the registration with NMPA in the early second half of 2025 and initiate its commercialization in China afterwards. As the first step of our global expansion initiatives to expand from the China market, we are preparing to submit an application for the CE Marking certification in the EU for XH301 in 2025, including performance testing under EU guidelines. XH301 is a Core Product as defined under Chapter 18A of the Listing Rules.

Mechanism of Action

Regenerative medicine material-based injectables are based on regenerative medicine materials, which are injected into the dermis and/or subcutaneous tissue, usually in the form of microspheres, to stimulate the regeneration of the body's own collagen.

Regenerative medicine material-based injectables usually consists of two parts: microspheres and carriers:

- *Microspheres:* materials such as PLA and PCL are usually injected into the dermis and/or subcutaneous tissue in the form of microspheres, which activate fibroblast activity in the skin, and in turn induces collagen and elastin fiber regeneration and improves skin densification. As a result, these microspheres can be used to fill in depressions, tighten the skin and reduce wrinkles.

- *Carriers:* carriers such as CMC allow uniform suspension of microsphere particles. The carrier provides a physical filler effect at the beginning of the injection, and as the carrier degrades, the microspheres then begin to act to stimulate collagen production.

For XH301, PLLA is the microsphere and CMC is the carrier.

Our Advantages

XH301 optimizes the ball making process and uses spherical microspheres to replace irregular particles, with a more rounded appearance and more uniform particle size distribution, which can reduce product irritation and the risk of adverse reactions. Further, the PLLA microspheres in XH301 have a more uniform particle size, where the PDI is less than 0.7.

Freeze-dried products generally have shorter reconstitution time before use which increases adaptability. XH301 can absorb and stimulate its own collagen, effectively restoring the natural condition of nasolabial fold. Our patented ball making process also has a low organic residue in the microspheres increasing safety.

Summary of Clinical Trials

Overview. The clinical trial was a multicenter, randomized, parallel controlled clinical study, adopting a blind method to subjects and assessors, to evaluate the effectiveness and safety of injectable PLLA microsphere fillers in correcting moderate to severe facial nasolabial wrinkles.

Trial design. A parallel controlled clinical study was conducted using an imported hyaluronic acid control product to evaluate the effectiveness and safety of the injectable PLLA microsphere filler developed by us for correcting moderate and severe facial nasolabial wrinkles. Superiority test and a blind method were adopted, where the blind assessors of the independent review committee would use the facial photos of the subjects and conduct a centralized blind review and scoring of the wrinkle severity rating scale (WSRS) index. The blind assessors of the independent review committee would score the WSRS based off the facial photos of the subjects separately. If there are objections between the blind assessors, the final decision shall be made by the person in charge of the independent review committee with professional expertise.

Trial status. The clinical trial commenced in May 2022 and was completed in March 2024. The clinical trial enrolled patients with nasolabial fold wrinkles with a severity rating of three to four. A total of 252 subjects were enrolled, among which 18 subjects voluntarily withdrew from the trial, due to reasons such as failure to follow up with the clinical trials on time and unexpected pregnancy.

Efficacy Results. Full analysis set (FAS) analysis results showed that the effective rates of WSRS correction in the experimental group and the control group were 92.44% and 59.32% (P<0.0001), respectively, and the rate difference (95%CI) was 33.11% (23.06%, 43.17%). The per protocol set (PPS) analysis results showed that the effective rates of WSRS correction in the experimental group and the control group were 95.50% and 59.83% (P<0.0001), respectively, and the rate difference (95% CI) was 35.67% (25.98%, 45.35%).

After accounting for correction center effects (校正中心效應), the FAS analysis results showed that the rate difference (95% CI) of the effective rate of WSRS correction in the experimental group and the control group was 33.29% (23.11%, 43.48%); the PPS analysis results showed that the rate difference (95% CI) of the effective rate of WSRS correction in the experimental group and the control group was 35.91% (26.05%, 45.78%).

Both FAS and PPS analysis showed that the lower limit of the 95% confidence interval of the difference in rates between the experimental group and the control group was greater than nil, indicating XH301 was superior to the imported hyaluronic acid control product in terms of efficacy.

Safety Results. During the test, there was no adverse effect of the filler material on the tissues around the injection site, no displacement and accumulation of the filler material, no free filler material, and no vascular embolism. The incidence of adverse events (including serious adverse events and adverse events of special concern), adverse events during facial filler treatment, normal to abnormal test values, and device defects in the two groups of subjects was comparable, with no statistical difference (P>0.05), indicating that the safety of the test product and the control product is comparable.

Summary of Preclinical Studies

The XH301 was evaluated according to the biological evaluation endpoints proposed in Table A.1 in Appendix A of GB/T 16886.1-2022 Biological Evaluation of Medical Devices. Combined with the actual situation of the product, the PLLA microsphere filler for injection in implantable medical devices with long-term contact may have biological effects on cytotoxicity, sensitization, intradermal reaction, pyrogen, acute systemic toxicity, subchronic toxicity, implantation reaction, genotoxicity, and degradation. Therefore, the above biological effects were selected for product evaluation and testing and XH301 successfully passed all test results.

To further verify the long-term safety and effectiveness of the product in vivo, a 30-month long-term animal test was conducted. The test results showed that the material morphology was intact from four to 78 weeks after injection, and the collagen fiber area gradually increased, reaching a peak at 52 weeks. At 78 weeks after injection, slight cracking was observed inside the material and the material was completely degraded at 104 weeks after injection. As time went on, the age of the animals gradually increased, the thickness of the collagen fibers gradually became thinner, and the collagen fiber area and the proportion of the collagen fiber area gradually decreased.

Material Communications and Next Steps

We aim to focus on expanding the scope of subsequent market application and ensure long-term safety for the use of the product. We submitted a registration application with respect to XH301 for the treatment of nasolabial fold in November 2024, and we expect to complete the technical review in the first half of 2025 and registration with NMPA in the early second half of 2025, and initiate its commercialization in China in 2025.

In February 2025, the NMPA issued notices regarding our registration application for XH301, in which the NMPA requested us to provide supplemental information. In response, we have prepared responses and supplemental information pursuant to the NMPA's request and submitted an

application for pre-examination of supplemental materials. Pre-examination is a service provided by NMPA to medical device registration applicants, by which the applicants can submit supplementary materials prepared according to the requirements in the supplementary notice to the Center for Medical Device Evaluation of NMPA (國家藥品監督管理局醫療器械技術審評中心) (the "**technical review agency**") for pre-examination, so as to confirm whether the supplemental materials are sufficient before formal submission of such materials. The technical review agency will pre-examine the supplementary materials and provide guidance. We completed the pre-examination and had formally submitted the supplemental materials to the NMPA in April 2025. Meanwhile, we have passed the onsite inspection regarding the manufacturing facilities for XH301 conducted by Jiangsu Provincial Medical Products Administration in February 2025. Based on the procedures provided under the Measures for the Registration and Filing of Medical Devices of the NMPA and as advised by our PRC Legal Advisors, if the NMPA requires us to provide additional information for technical review, the NMPA shall inform us all supplemental information required, and will not raise additional requests after receiving the supplemental information. Based on the above progress, we expect the NMPA to complete the technical review of XH301 and the registration by the second half of 2025. According to Frost & Sullivan, the application process for XH301 is consistent with industry norm for Class III medical devices. The expected approval date is based on our expectations in light of current information, subject to various factors beyond our control and may be subject to changes, rather than NMPA's direct indication. We have had regular communications with NMPA throughout the registration process. Based on our latest communications with NMPA and as advised by our PRC Legal Advisors, there is no indication of objection from NMPA, which may be indicative that the registration timetable will not be materially delayed.

As the first step of our global expansion initiatives to expand from the China market, we are preparing to submit an application for the CE Marking certification in the EU for XH301 in 2025, including performance testing under EU guidelines.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET XH301 SUCCESSFULLY.

XH321

XH321 is a regenerative medicine material injectable product comprising ECM and PLLA designed for the treatment of female stress urinary incontinence.

The possibility of urinary incontinence in women gradually increases as the ages of females increase, with the peak age at 45 to 55 years old, according to Frost and Sullivan. The correlation between age and urinary incontinence may be related to pelvic floor relaxation, estrogen reduction and urethral sphincter degeneration with age. Some common diseases in the elderly, such as chronic lung disease and diabetes, can also cause urinary incontinence. Among the female population, 23% to 45% have varying degrees of urinary incontinence, and about 7% have obvious

symptoms of urinary incontinence, of which approximately 50% are diagnosed with stress urinary incontinence (SUI). SUI refers to the involuntary leakage of urine from the urethra when abdominal pressure increases due to sneezing, coughing, laughing or exercising. The incidence of SUI increases with age and may also relate to childbirth, pelvic organ prolapse, obesity and family history.

The treatment of SUI includes surgical treatment and non-surgical treatment. Most surgical treatments have various complications with risks such as overcorrection and postoperative bladder perforation, infection, hematoma, sling corrosion and urination disorder. In recent years, the treatment of SUI focuses on finding a minimally invasive, low-risk treatment methods. Injection therapy, such as XH321, is a minimally invasive surgical treatment method, has the advantages of easy operation and can significantly improve the quality of life of patients.

Mechanism of Action

The female urethral sphincter system is an organic whole composed of the outer striated sphincter, the middle smooth muscle, the inner lamina propria and the mucosa. The female urethral striated muscle fibers tend to be circular and form a sheath, completely surrounding the urethra at approximately one thirds of the urethra. Its muscle fiber components are mainly slow-contracting fibers, which can maintain tension for a prolonged period to close the urethra. The active mechanism of urine control is completed by the active contraction of the bladder neck, urethral sphincter and urethral muscle tissue. The urethral striated sphincter is the main part of the urethral closure function. The trunk nerve that innervates the external urethral sphincter or the paraurethral striated muscle is the pudendal nerve. The sympathetic and parasympathetic nerves innervate the bladder and posterior urethra, and under the coordinated control of the trunk nerves and autonomic nerves, they jointly complete the urination and urine storage functions. Birth trauma and other factors that induce urinary incontinence can damage the nerves that control the relevant muscles or the muscles themselves, causing changes in the quality and quantity of the pelvic floor muscles and sphincters. In particular, the weakening of the morphological structure and functional damage of the urethral striated sphincter can lead to insufficient urethral closure pressure and thus SUI.

The ECM maintains its function mainly by affecting the metabolism of the connective tissue. When the ECM is damaged, it leads to a lack of support from tissues surrounding the urethra, resulting in urinary incontinence. There are multiple components in the ECM, including elastin, collagen, laminin and more. Among them, collagen is one of the main components of the ECM. ECM remodeling can maintain the balance between collagen production and degradation, which is crucial to maintaining the mechanical strength of the pelvic floor tissue.

PLLA is often used to inject into the body, with good biocompatibility, safety and reliability. By implanting PLLA in the body, it will stimulate the proliferation of collagen in the surrounding tissues. Therefore, PLLA is injected into the submucosal layer of the urethra, thereby effectively increasing the leakage point pressure and promoting the regeneration of the urethral sphincter.

ECM and PLLA are combined and injected into the body, where ECM acts as a mesh scaffold to provide a growth platform for cells, and PLLA can stimulate cells to secrete collagen, thereby achieving regeneration of the urethral sphincter.

Our Advantages

With the combination of the ECM and PLLA, XH321 shows excellent performance in skin regeneration and repair, and can stimulate the proliferation of collagen and the repair of surrounding tissues. XH321 is injected into the submucosal and muscle around the posterior urethra or the internal opening of the bladder, and it can narrow, lengthen and shrink the urethral cavity, thereby relatively increasing urethral resistance and promoting urethral closure to effectively control urine flow.

According to the urinary incontinence diagnosis guidelines and surveys from literature related to urinary incontinence, the main treatments for urinary incontinence include non-surgical treatment and surgical treatment. Patients who do not respond or comply well to non-surgical treatment may choose surgical treatment, and patients with severe SUI should directly choose surgical treatment. Surgical treatments primarily include mid-urethral sling procedure, retropubic suspension surgery and transvaginal needle suspension procedures.

Surgical treatment has long-term and established benefits for most SUI patients. However, surgery may be traumatic to patients and carries risks such as postoperative urination difficulties, urinary urgency and organ damage. We believe non-surgical treatment such as XH321, a urethral filler which is also known as periurethral injection therapy, has the advantages of causing less damage, simple operation procedure and a low incidence of postoperative bladder urination disorders. Urethral fillers are more easily accepted by patients, especially those with high-risk factors who are not suitable for surgery or have recurrence after surgery. We believe XH321, as an injectable filler, has another advantage that it has good biocompatibility, non-immunogenicity and mild local tissue inflammatory response.

Summary of Preclinical Studies

We are currently undergoing small trial development to determine the optimal formula and process, and provide parameters for large-scale product preparation. Various small trial experiments conducted included tests on the decellularized matrix sample whereby NaOH solution was used, sample preparation of decellularized matrix to consider the impact of different dissolution systems on ECM solutions, sample preparation and performance testing on decellularized matrix to consider the effect of different dissolution systems and different concentrations of phosphate buffered saline on the storage modulus of ECM solutions, and tests to probe into the effect of sodium chloride to the properties of decellularized matrix gel to investigate how different amounts of sodium chloride would affect the storage modulus of decellularized matrix gel when the solutions are in the same dissolution system.

Material Communications and Next Steps

XH321 is currently at a preclinical trial research stage. We are currently undergoing small trial development to determine the optimal formula and process, and provide parameters for large-scale product preparation, which is expected to be completed in the second half of 2025. We expect to complete process validation in the second half of 2025, a process to verify the product formula process and production system, and confirm that the production system can continuously and stably produce qualified products. We expect to begin evaluative research to verify the safety of XH321 and ensure its reliability in clinical applications in the second half of 2025, enter clinical trials in the first half of 2026 and complete clinical trials in the first half of 2028.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET XH321 SUCCESSFULLY.

Other Regenerative Medicine Material-based Injectable Product Candidates

We have one regenerative medicine material-based injectable product candidate under the NMPA registration review stage, i.e. XH305, six regenerative medicine material-based injectable product candidates under clinical trials, i.e. XH302, XH304, XH303, XH308, XH311 and XH310, and one regenerative medicine material-based injectable product candidate under preclinical trial research stage, i.e. XH307. Information of the eight regenerative medicine material-based injectable product candidates are shown below:

Products	Main component	Indication	Time of entering clinical trials	Date of completion of clinical trial or approximate date of expected completion of clinical trial	Clinical design and results, preliminary clinical results or current research status of the product
XH305. . . .	HA and amino acids	Dull and dry skin	April 2023	Completed in December 2024	The clinical trial adopted a prospective, multicenter, randomized, blank-controlled, evaluator-blind, superiority clinical trial design, to evaluate the safety and efficacy of XH305 for injection into the facial dermis to improve skin condition in clinical applications. XH305 is injected into the dermis of the face. The purpose is to mainly improve skin condition through the moisturizing and hydrating effects of materials such as sodium hyaluronate it contains. Clinical trial results showed that the effectiveness of XH305 meets the needs for clinical application, and meets the safety requirements for clinical use.

Products	Main component	Indication	Time of entering clinical trials	Date of completion of clinical trial or approximate date of expected completion of clinical trial	Clinical design and results, preliminary clinical results or current research status of the product
XH302. . . .	PCL and cross-linked HA	Nasolabial sulcus tissue defects	August 2023	To be completed in the second half of 2025	The clinical trial adopted a multicenter, randomized, blinded, positive-controlled, non-inferiority clinical trial design to evaluate the effectiveness and safety of XH302 in correcting moderate and severe nasolabial wrinkles. XH302 is injected into the subcutaneous layer of the face to correct moderate and severe nasolabial folds. Preclinical trials have demonstrated positive results for performance and safety and good response in short-term injections, and has good biocompatibility.
XH304. . . .	HAp, CMC and HA	Nasolabial sulcus tissue defects	September 2023	To be completed in the second half of 2025	The clinical trial adopted a multicenter, randomized, blinded, parallel controlled, superiority clinical trial design to evaluate the effectiveness and safety of XH304 in correcting moderate to severe facial nasolabial wrinkles. XH304 is injected into the deep dermis and subcutaneous layer of the skin to correct moderate to severe nasolabial wrinkles. Preclinical trials have demonstrated positive results for performance and safety and good response in short-term injections, and has good biocompatibility.
XH303. . . .	PMMA and cross-linked HA	Nasal dorsum and/or nasion soft tissue defects	August 2023	To be completed in the second half of 2025	The clinical trial adopted a multicenter, randomized, blind (assessors are blind), parallel controlled clinical design to evaluate the efficacy and safety of XH303 for nasal dorsum and/or nasal root shaping. Preclinical trials have demonstrated positive results for performance and safety and good response in short-term injections in reducing redness, swelling and pain.

Products	Main component	Indication	Time of entering clinical trials	Date of completion of clinical trial or approximate date of expected completion of clinical trial	Clinical design and results, preliminary clinical results or current research status of the product
XH308. . . .	PEG-PLLA and cross-linked HA	Nasolabial sulcus tissue defects	August 2024	To be completed in the first half of 2026	The clinical trial adopted a multicenter, randomized, blind (subjects and assessors are blind), parallel controlled, non-inferiority clinical design to evaluate the efficacy and safety of XH308 in correcting moderate to severe facial nasolabial wrinkles. Preclinical trials had demonstrated positive results for performance and safety and good response in short-term injections, and has good biocompatibility.
XH311. . . .	PLLA and HA	Temporal depression	March 2024	To be completed in the second half of 2025	This clinical trial is a multicenter, randomized, reviewer-blind, non-treatment controlled clinical trial to evaluate the effectiveness and safety of poly-L-lactic acid microsphere facial fillers in correcting temporal depression. Preclinical trials had demonstrated positive results for performance and safety and good response in short-term injections, and has good biocompatibility.
XH310. . . .	HAp, PEGylated HA	Mandibular retrusion	March 2025	To be completed in the first half of 2027	The clinical trial adopted a multicenter, randomized, blinded, no-treatment controlled clinical design to evaluate the effectiveness and safety of XH310 in correcting blurred jawline.
XH307. . . .	ECM and PEGylated HA	Neck wrinkles	Late 2025 or early 2026	To be completed in 2027	XH307 is currently under preclinical trial research stage and is expected to enter clinical trials in late 2025 or early 2026.

We have three regenerative medicine material-based injectable product candidates which are expected to complete pre-clinical trials in 2025, being XH312, XH309 and XH306. Information of the three regenerative medicine material-based injectable product candidates are shown below:

Products	Component	Indication	Expected completion of pre-clinical trials	Expected time of entering clinical trials
XH312	PEG-PLLA and HA	Stretch marks	Second half of 2025	Second half of 2026
XH309	PEG-PCL and cross-linked HA	Medial cheek fat defects	Second half of 2025	First half of 2026
XH306	Pig type I collagen and cross-linked HA	Nasolabial sulcus tissue defects	Second half of 2025	Second half of 2026

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET XH302, XH304, XH305, XH303, XH308, XH311, XH310, XH307, XH312, XH309 AND XH306 SUCCESSFULLY.

Regenerative Medicine Material-based Medical Dressings and Patches

We have seven regenerative medicine material-based medical dressings and patches products regulated as Class II medical devices, including recombinant collagen freeze-dried dressing (重組膠原蛋白凍乾敷料), recombinant collagen liquid dressing (重組膠原蛋白液體敷料), medical freeze-dried wound dressing (醫用創面凍乾敷料), liquid wound dressing (液體傷口敷料), hydrophilic fiber dressing (親水性纖維敷料), medical sodium hyaluronate liquid dressing (醫用透明質酸鈉液體敷料) and medical sodium hyaluronate dressing (醫用透明質酸鈉敷貼). We are also developing XH322, which is expected to be our first Class III medical device under regenerative medicine material-based medical dressings and patches product line, to capture the market opportunity in the breast cancer market.

The chart below sets forth our internally-developed regenerative medicine material-based medical dressings and patches products and product candidate as of the Latest Practicable Date:

Products	Main component	Indication	Classification	Pre-clinical	Clinical trials	Registration	Expected Completion of the Current Stage	Expected/Obtained Marketing Approval
Recombinant collagen freeze-dried dressing	Recombinant collagen+HA	Non-chronic wounds	II			Approved	-	2024
Recombinant collagen liquid dressing	Recombinant collagen+CMC	Non-chronic wounds	II			Approved	-	2023
XH322	Cross-linked ECM	Breast reconstruction from post-breast cancer surgeries	III				2026H1	2028 or later
Medical freeze-dried wound dressing	CMC+Gelatin	Wound healing care	II			Approved	-	2023
Liquid wound dressing	CMC	Non-chronic wounds	II			Approved	-	2023
Hydrophilic fiber dressing	Chitosan+CMC	Non-chronic wound exudate absorption	II			Approved	-	2023
Medical sodium hyaluronate liquid dressing	HA+CMC	Non-chronic wounds	II			Approved	-	2023
Medical sodium hyaluronate dressing	HA+Carbomer	Non-chronic wounds	II			Approved	-	2023

Chinese Status

Abbreviations: H1 means first half, H2 means second half

XH322 — Our Class III Medical Device Product Candidate

XH322 is a regenerative medicine material medical dressings and patches product comprising of cross-linked ECM designed for the treatment of breast reconstruction after breast-cancer surgery.

Breast cancer is one of the most common malignant tumors in women, according to Frost & Sullivan. When breast cancer is removed through mastectomy, to completely remove the cancerous tissue and prevent recurrence, there is significant damage to the breast and normal breast tissue. Mastectomy can cause great damage to the patient both physically and mentally. Therefore, the technology for treatment of breast reconstruction is currently in a stage of rapid development to maturity. Immediate reconstruction through surgical means has become the main treatment of breast reconstruction. With the development of the economy and the improvement of medical insurance, the demand for breast reconstruction is increasing. In general, patients with breast cancer between the ages of 40 and 60 with good income levels and are still employed are more willing to have breast reconstruction.

During breast reconstruction, most of the breast tissue is usually removed, which causes the breast muscle tissue to become weak. After breast reconstruction and breast implants are filled, complications such as implant displacement, fall-off, and capsule contracture often occur. To address this problem, previous surgeries used autologous fascia flaps or muscle flaps for reinforcement before implanting breast implants. However, in around 2005, the United States began to use allogeneic acellular dermal matrix (ADM) in breast reconstruction to strengthen weak tissue. Currently, acellular matrix is widely used and has been included in the coverage of many medical insurance companies in the United States, according to Frost & Sullivan.

In recent years, ADM patches have been used in breast reconstruction and have been widely accepted by clinicians and patients, according to Frost & Sullivan. This is because ADM patches in breast reconstruction promotes the development of immediate prosthetic reconstruction, improves the aesthetic effect of breast reconstruction and avoids additional donor site tissue damage.

Mechanism of Action

Decellularized extracellular matrix (dECM) is an extracellular matrix material that is made by removing cells through a dECM process and retaining its biologically active components based on the composition and structure of the extracellular matrix. The extracellular matrix is a network structure composed of macromolecules such as proteins and polysaccharides secreted by cells and distributed outside the cells, including four major sources such as collagen, non-collagenous glycoproteins, aminoglucan and proteoglycan, and elastin. It not only supports, protects and nourishes tissue cells, but are also closely related to basic life activities such as cell proliferation, differentiation, metabolism, recognition, adhesion and migration.

The high plasticity and low inflammatory response of ECM reduce the risk of capsular contracture after implantation and help maintain the position of the reconstructed breast during initial breast reshaping. The main surgical steps for applying the XH322 includes: (i) incision of the skin according to the pre-operative design; (ii) dissection under the pectoralis major muscle and breast tissue to create space for implantation; (iii) trim the XH322 to a suitable size for implantation which is then affixed to the defect area or wrapped around the prosthesis; and (iv) suture the muscles, subcutaneous tissue and skin in layers and place a drainage tube as necessary.

Market Opportunity and Competition

The COVID-19 pandemic had a short-term impact on the breast implants market, primarily during the initial phase of the pandemic, according to Frost & Sullivan. Due to restrictions and lockdowns, ongoing and scheduled surgical procedures were postponed or canceled, hampering the growth of the breast implants market. However, during the COVID-19 pandemic, there has been a growing interest and awareness among women in the United States regarding their appearance, including breast augmentation and breast enlargement. For instance, according to an American Society of Plastic Surgeons (ASPS) survey report in April 2021, 11% of women surveyed were more inclined toward cosmetic surgery or non-surgical treatments than before the pandemic. Therefore, the market is expected to recover soon from the impact of the COVID-19 pandemic and is expected to grow.

The major factor driving the growth of the breast reconstruction market is the increasing incidence of breast cancer, according to Frost & Sullivan. According to Global Cancer Observatory (GLOBOCAN) in 2020, breast cancer surpassed lung cancer to become the most diagnosed cancer worldwide. According to the World Health Organization, approximately 2.3 million women were diagnosed with breast cancer in 2020 worldwide, and approximately 7.8 million women were diagnosed with breast cancer in the past five years. The prevalence of breast cancer is high among Asian women, accounting for 22.9% of the total cancer cases in women in 2020. The increasing awareness about the safety of breast reconstruction options has given women confidence to undergo mastectomy and other breast cancer surgeries and subsequently undergo breast reconstructive surgeries. The breast reconstruction surgery market is expected to increase. The number of breast reconstruction surgeries in China grew rapidly from 21.3 thousand surgeries in 2019 to 46.8 thousand surgeries in 2023, representing a CAGR of 21.7%, and the number of surgeries is expected to further increase from 53.0 thousand surgeries to 101.0 thousand surgeries in 2032, representing a CAGR of 8.4%. The number of breast reconstruction surgeries worldwide increased steadily from 266.6 thousand in 2019 to 302.1 thousand in 2023, representing a CAGR of 3.2%, and the number of breast reconstruction surgeries globally is expected to further increase from 310.7 thousand in 2024 to 404.3 thousand in 2032, with a CAGR of 3.3%.

Our Advantages

As a regenerative medicine material-based medical dressings and patches product, we believe XH322 has multiple advantages in breast reconstruction surgery, mainly including:

(i) Tissue proliferation and vascular ingrowth: XH322 has good tissue proliferation, and vascular ingrowth is one of the main advantages of soft tissue repair patches, which helps to create the best capsule quality and make the prosthesis position more stable.

(ii) Biocompatibility and mechanical support: XH322 has good biocompatibility, quickly adheres and integrates with the damaged tissue around the prosthesis, provides sufficient mechanical support, and enhances the surgical effect.

(iii) Guiding new autologous tissue formation: XH322 has the ability to guide the formation of new autologous tissue. After implantation through surgery, the natural three-dimensional mesh structure of XH322 provides a good microenvironment and space for the growth of cells, assisting quicker recovery.

(iv) Higher patient safety: The results of product cytotoxicity and DNA content determination show that XH322 has low cytotoxicity and DNA content, leading to higher patient safety.

Summary of Mechanical Performance Tests

XH322 is currently at a pre-clinical research stage. We are currently undergoing small trial development to determine the optimal formula and process, and provide parameters for large-scale product preparation, which is expected to be completed in the second half of 2025. We expect to complete process valuation in the second half of 2025, a process to verify the product formula process and production system, and confirm that the production system can continuously and stably produce qualified products. We expect to begin evaluative research to verify the safety of XH322 and ensure its reliability and clinical applications in the first half of 2026, enter clinical trials in the first half of 2026, and complete clinical trials in the second half of 2027.

Material Communications and Next Steps

For XH322, we expect to conduct technical testing before clinical trials in the first half of 2026, enter clinical trials in the first half of 2026 and submit application for NMPA product registration in the first half of 2028.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET XH322 SUCCESSFULLY.

Our Commercialized Products Regulated as Class II Medical Devices

We had seven products regulated as Class II medical devices, including recombinant collagen freeze-dried dressing, recombinant collagen liquid dressing, medical freeze-dried wound dressing, liquid wound dressing, hydrophilic fiber dressing, medical sodium hyaluronate liquid dressing and medical sodium hyaluronate dressing, as of the Latest Practicable Date. Revenue generated from our products regulated as Class II medical devices in 2023 and 2024 amounted for 33.1% and 26.2%, respectively of our total revenue in the same periods, respectively. The following table indicates our commercialized regenerative medicine material-based medical dressings and patches products:

Products	Component	Indication	Features
Recombinant Collagen Freeze-Dried Dressing (重組膠原蛋白凍乾敷料)	Recombinant Collagen and hyaluronic acid	Non-chronic wounds	The product is for non-chronic wounds such as minor wounds, abrasions, and cuts.
Recombinant Collagen Liquid Dressing (重組膠原蛋白液體敷料)	Recombinant Collagen and CMC	Non-chronic wounds	The product acts as a physical barrier by forming a protective layer on the wound surface for non-chronic wounds such as small wounds, abrasions and cuts.
Medical Freeze-Dried Wound Dressing (醫用創面凍乾敷料)	CMC and Gelatin	Wound healing care	The product covers and cares for non-chronic wounds (such as superficial wounds, small wounds, and abrasions) to provide a microenvironment for the healing of wounds.
Liquid Wound Dressing (液體傷口敷料)	CMC	Non-chronic wounds	The product is for non-chronic wounds such as minor wounds, abrasions and cuts.

Products	Component	Indication	Features
Hydrophilic Fiber Dressing (親水性纖維敷料)	Chitosan and CMC	Non-chronic wound exudate absorption	The product covers non-chronic wounds on the body surface and absorb exudate.
Medical Sodium Hyaluronate Liquid Dressing (醫用透明質酸鈉液體敷料)	Hyaluronic acid and CMC	Non-chronic wounds	The product is to cover and care for non-chronic wounds (such as superficial wounds, small wounds, abrasions, and wounds after laser or photon surgery) to provide a microenvironment for the healing of wounds.
Medical Sodium Hyaluronate Dressing (醫用透明質酸鈉敷貼)	Hyaluronic acid and carbomer	Non-chronic wounds	The product is to care for non-chronic wounds (such as superficial wounds, post-operative suture wounds, first-degree or superficial second-degree burn wounds, and post-laser/photon/acid peel/micro-plastic surgery wounds) to provide a microenvironment for the healing of wounds.

The following image shows some of our commercialized regenerative medicine material-based medical dressings and patches products.

Hydrocolloid dressing
(親水性纖維敷料)

Medical freeze-dried wound dressing
(醫用創面凍乾敷料)

Liquid wound dressing
(液體傷口敷料)

Medical sodium hyaluronate liquid dressing
(醫用透明質酸鈉液體敷料)

Recombinant collagen liquid dressing
(重組膠原蛋白液體敷料)

Food for Special Medical Purposes (FSMPs)

We have a diversified product portfolio of FSMPs covering all categories of FSMPs, including nutritionally complete formula foods, specific nutritionally complete formula foods and non-nutritionally complete formula foods. From 2019 to 2023, the size of FSMP in China expanded from RMB2.7 billion to RMB6.0 billion, representing a CAGR of 17.2% market. The FSMP market is expected to generate RMB23.8 billion of revenue by 2032, representing a CAGR of 15.9% from 2024 to 2032.

For our FSMP product line, as of the Latest Practicable Date, we had (i) two non-nutritionally complete formula food product candidates and two commercialized non-nutritionally complete formula foods; (ii) two nutritionally complete formula food product candidates; and (iii) three specific nutritionally complete formula food product candidates, being the focus of our FSMP product line. The chart below sets forth our FSMP products and product candidates as of the Latest Practicable Date:

Products	Classification	Type/Features	Pre-clinical	Clinical trials[1]	Registration	Expected Completion of the Current Stage	Expected/ Obtained Marketing Approval
Xi Qin	Non-nutritionally complete formula foods	Carbohydrate component			Approved	-	2021
Xi Hongyuan	Non-nutritionally complete formula foods	Electrolyte formula			Approved	-	2023
Xi Shengyuan	Non-nutritionally complete formula foods	Protein component				2025H2	2025
Xi Xinli	Non-nutritionally complete formula foods	Liquid formula				2025H2	2027
Xi Yangyuan	Nutritionally complete formula foods	Whole proteins				2025H1	2026
Xi Fuan	Nutritionally complete formula foods	Short peptides				2025H2	2027
XHT01	Specific nutritionally complete formula foods	Diabetes-specific				2025H2	2028 or later
XHT02	Specific nutritionally complete formula foods	Nephropathy-specific				2025H2	2028 or later
XHT03	Specific nutritionally complete formula foods	Chronic obstructive pulmonary-specific				2025H2	2028 or later

Chinese Status

Abbreviations: H1 means first half, H2 means second half

Note:

(1) Only specific nutritionally complete formula foods are required to go through clinical trials for purpose of registration.

Non-Nutritionally Complete Formula Foods

Non-nutritionally complete formula foods refer to FSMPs that can meet part of the nutritional needs of the target population and are not suitable to be used as a single source of nutrition. In 2023, its market size reached around RMB8.5 billion. As of the Latest Practicable Date, we had two commercialized non-nutritionally complete formula foods and two non-nutritionally complete formula foods in the R&D stage.

Carbohydrate component ("Xi Qin") — Our commercialized FSMP product

According to the statistics of the National Health Commission (NHC) of the PRC, the number of surgical operations in China has experienced a relatively rapid growth, increasing from 50.8 million in 2016 to 63.2 million in 2020, with a CAGR of 5.6%. According to the "China Health Statistics Yearbook 2023," 77.4 million surgical operations were performed on inpatients in China in 2022. It is expected that this number will maintain a steady growth in the future, reaching 115.1 million in 2026, representing a CAGR of 10.4% from 2022 to 2026, and is expected to reach 145.0 million in 2030, representing a CAGR of 5.9% from 2026 to 2030. Taking carbohydrate components before surgery can relieve preoperative discomfort and reduce surgical risks.

In response to the above market demand, we developed Xi Qin (西沁), a carbohydrate component product targeting people over 10 years old who need to supplement carbohydrates before surgery. We believe the advantages of Xi Qin (西沁) includes (i) its safety, as it does not contain any electrolytes, plus it is a hypotonic formula which is easy to digest and will not cause reflux aspiration and other risks, (ii) its large population coverage, as elective surgery patients over 10 years old can consume Xi Qin (西沁), and (iii) its high patient compliance, as Xi Qin (西沁) is a liquid formula contained in an easily opened bottle which is consumed orally.

Xi Qin (西沁)

Xi Qin (西沁) obtained the "Certificate of Registration of Formula Food for Special Medical Purposes" from the SAMR in November 2021. We obtained the production license to manufacture the carbohydrate component in "Xi Qin (西沁)" in the first half of 2022 and then started production and sales. The sales volume of "Xi Qin (西沁)" increased by over 50% from approximately 200,000 bottles in 2023 to approximately 300,000 bottles in 2024. According to Frost & Sullivan, its sales volume ranked among the top three in the market of liquid-based carbohydrate component formula products of FSMP in China in 2024. We believe that "Xi Qin (西沁)" can provide stable and reliable nutritional support for patients.

Electrolyte formula ("Xi Hongyuan (西泓源)") — Our commercialized FSMP product

In recent years, China has attached great importance to the development of FSMP and issued a number of policy documents, providing favorable environments for the rapid development of the FSMP industry in China. These policies have also popularized the consumption of electrolyte formula foods, a type of FSMP.

We developed Xi Hongyuan (西泓源), an electrolyte formula targeted at people over 10 years old who need to replenish water and electrolytes due to diarrhea and other causes of mild to moderate dehydration. We believe the advantages of Xi Hongyuan (西泓源) include (i) its wide coverage, as it is suitable for patients with electrolyte disorders due to its low sugar formula, (ii) its convenience, as its oral liquid dosage form is generally easier for patients to consume, leading to higher patient compliance, (iii) it is safe and clinically recognized, as it is a hypotonic salt replenishment product with no gastrointestinal adverse reactions and the risk of reflux and aspiration, and (iv) it follows the recommended ratio under *Implementing the New*

Recommendations on the Clinical Management of Diarrhoea and *Diarrhoea Treatment Guidelines* published by the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF), to facilitate water and sodium absorption rate.

Xi Hongyuan (西泓源)

Xi Hongyuan (西泓源) obtained the "Certificate of Registration of Formula Food for Special Medical Purposes" in April 2023. We obtained the production license to manufacture its electrolytes in May 2023. We launched the production and sales of Xi Hongyuan (西泓源) in 2023.

Protein Component

With the aging of the population, the number of patients with chronic diseases (such as chronic obstructive pulmonary disease (COPD)) is increasing, and the number of people in need of protein treatment is huge, according to Frost & Sullivan. Protein supplementation for postoperative, cachexia, geriatric, and COPD patients is recommended authoritative guidelines, resulting in increased clinical demand for protein-component formula foods.

Our protein component products, developed for people over 10 years old who need protein supplementation for specific diseases or medical conditions, are made of dual proteins of animal and plant origin, with good taste and special sterilization to preserve the nutrients. Its dosage form is a liquid suspension, therefore after the protein materials are sheared and homogenized, particle size is smaller and tends to be uniform, which is conducive to the digestion and absorption of the target population. As a result, the liquid is easy to use, with almost no albumin injection-related side effects; secondly, the protein source in the formula is animal protein (casein) and plant protein (soybean isolate), the ratio of animal and plant protein is 1:1, dual-protein sources of nutrition is more comprehensive and the product is stable.

As of the Latest Practicable Date, our protein component product, namely Xi Shengyuan (西生源), was in the registration application stage and was expected to obtain the SAMR approval in the second half of 2025. According to Frost & Sullivan, our Xi Shengyuan (西生源) is one of the most advanced clinical-stage product candidate as a protein component formula FSMP.

Liquid Formula

The target population for liquid formula mainly includes patients with gastrointestinal diseases, gastrointestinal dysfunction, impaired gastrointestinal function or absorption disorders during the perioperative period, as well as those with inflammatory bowel disease, short bowel syndrome and acute pancreatitis, among others. According to Frost & Sullivan, the liquid formula has a large target population.

The dosage form of our liquid formula product developed for people over 10 years old with medical conditions, such as digestion and absorption disorders or who are required to restrict fat intake. The liquid formula is an oral suspension. After the materials are sheared and homogenized, the particle size is smaller and tends to be uniform, which is beneficial to the digestion and absorption of the target population. The liquid form is convenient to use and also facilitates tube feeding. The energy density of the product is 0.8 kcal/mL, enabling patients to ensure that the energy and nutrients meet the standards by taking in a relatively small amount. The main protein source of this product is whey protein, which has a high digestion and absorption rate and is suitable for patients with intestinal function problems to meet the body's nutritional needs.

As at the Latest Practicable Date, the product was undergoing process validation and was expected to obtain the SAMR approval in the second half of 2027.

Nutritionally Complete Formula Foods

Nutritionally complete formula foods refer to FSMPs that can be used as a single source of nutrition to meet the nutritional needs of the target population. As of the Latest Practicable Date, we had two nutritionally complete formula foods in the R&D stage.

The target population for nutritionally complete formula food includes but is not limited to those with conditions such as nutritional risks, malnutrition, dysphagia, low body weight, weight loss, and muscle loss. Therefore, the application range of nutritionally complete formula foods is relatively wide, covering a variety of health issues and disease states, according to Frost & Sullivan.

According to Frost & Sullivan, by the end of 2023, the population aged 60 and above in China had reached 297.0 million, accounting for 21.1% of the national population of China. It is estimated that by 2035 and 2050, the elderly population aged 60 and above will reach 412 million

and 480 million, respectively. With an increasing aging population and relatively high proportion of the elderly population at nutritional risk, there is further upward demand for nutritionally complete formula foods.

Intact Protein Nutritionally Complete Formula

We are currently developing an intact protein nutritionally complete formula that is suitable for people over 10 years old who need nutritional supplementation due to limited food intake, digestion and absorption disorders, and metabolic disorders. The product is a mixture of oral emulsion and oral suspension. After the materials are sheared and homogenized, the particle size becomes smaller and tends to be uniform, which is beneficial to the digestion and absorption of the target population. The liquid form is convenient to use and also facilitates tube feeding. Secondly, the energy density of the product is 1.0 kJ/mL. With an appropriate osmotic pressure, patients will have better compliance when taking it. Meanwhile, the added dietary fiber (galactomannan) can help with regulating intestinal flora, preventing constipation, colon cancer, cardiovascular diseases, and lowering blood pressure and blood sugar.

As of the Latest Practicable Date, the product was undergoing stability tests, and was expected to obtain the SAMR approval in the second half of 2026.

Short Peptide Nutritionally Complete Formula

We are currently developing a short peptide nutritionally complete formula that is suitable for people over 10 years old who need nutritional supplementation due to limited food intake, digestion and absorption disorders, and metabolic disorders. We expect this product to become the first liquid short peptide nutritionally complete formula product in China. The protein source of this product is mainly hydrolyzed whey protein. Compared with intact proteins, it has a smaller molecular weight which facilitates better absorption, and is less likely to cause allergies. It can be better digested and absorbed by patients who have gastrointestinal function issues or partial gastrointestinal function issues but are unable to obtain sufficient nutrition for the body.

As of the Latest Practicable Date, the product was currently undergoing process verification and was expected to obtain the SAMR approval in the second half of 2027.

Specific Nutritionally Complete Formula Foods

Market Opportunities and Competitive Landscape

Specific nutritionally complete formula foods are applicable to the population who need comprehensive supplementation of nutrients under specific diseases or medical conditions, and can meet the specific demand of this population for certain nutrients. Generally, these foods are used as the single source of nutrition that can supply all the nutrients needed by patients and make targeted adjustments to certain nutrients so as to improve patients' nutritional status and elevate

their quality of life. The technical requirements for specific nutritionally complete formula foods are stringent, and their safety and clinical effects need to undergo scientific verification (i.e. clinical trials are required).

According to Frost & Sullivan, the demand for specific nutritionally complete formula foods in China has been constantly increasing in recent years with huge demand among patients with chronic obstructive pulmonary disease, diabetes, and kidney diseases (non-dialysis). As for patients with chronic obstructive pulmonary disease, by the end of 2023, the number of COPD patients in China had exceeded 105 million, and over 40% of COPD patients had malnutrition. As for diabetic patients, the data from the International Diabetes Federation showed that by the end of 2023, the number of diabetic patients in China had exceeded 140 million, among which over 90% were patients with type 2 diabetes. The prevalence of diabetes has remained at a high level and has been continuously growing rapidly. Data shows that among hospitalized diabetic patients, more than 60% of them have malnutrition or are at related risks, and among non-hospitalized diabetic patients, the incidence rate of malnutrition is also as high as 30%. As for kidney disease patients, according to the "Prevalence of Chronic Kidney Disease in China" report in 2023, the prevalence rate of chronic kidney disease (CKD) in China is about 8.2%, and the estimated number of adult patients reached 82 million. The proportions of patients in stages 1 to 2, stage 3, and stage 4 to 5 of CKD are 73.3%, 25.0% and 1.8%, respectively. The number of patients in CKD stage 3–5 is approximately 20 million, among which the proportion of non-dialysis patients is 97.1%. The prevalence rate of malnutrition among CKD patients in China ranges from 22.5% to 58.5%.

Currently, patients with chronic obstructive pulmonary disease, diabetes, and kidney diseases (non-dialysis) usually receive nutritional supplementation through parenteral nutrition infusion or ordinary enteral nutrition solutions. According to Frost & Sullivan, such existing treatments have certain drawbacks, including:

- ***Drawbacks of parenteral nutrition infusion:*** It may lead to disuse atrophy of intestinal function and dysbacteriosis, which is not in line with physiological conditions; parenteral nutrition is relatively homogenous although it can replenish nutrients; there are relatively numerous and serious complications associated with parenteral nutrition, which may include pneumothorax, vascular and nerve injuries, and metabolic complications, among others; parenteral nutrition usually requires to be carried out in hospitals, with relatively high costs, and it also requires professional medical equipment and care.

- ***Disadvantages of ordinary enteral nutrition:*** For patients with chronic obstructive pulmonary disease, nutrients such as carbohydrates are generally too high to meet the special needs of chronic obstructive pulmonary disease patients; for diabetic patients, the proportions of macronutrients, the content of sodium, and the overly high glycemic

index (GI) cannot meet the special needs of diabetic patients; for patients with kidney disease (non-dialysis), the protein content is too high to meet the special needs of patients with kidney disease (non-dialysis).

As of the Latest Practicable Date, according to Frost & Sullivan, there was only one approved specific nutritionally complete formula food in China. Our diabetes-specific nutritionally complete formula food has the potential to become the first-of-its-kind product approved in China.

Our Products and Advantages

In response to these pressing clinical needs, we are developing specific nutritionally complete formula foods for patients with tumors, diabetes, and kidney diseases (without dialysis). We believe that our products have the following advantages compared with existing treatments:

- ***Compared with parenteral nutrition:*** Specific nutritionally complete formula foods are more in line with the physiological characteristics of the human body. Providing nutrition through the intestinal tract helps maintain the normal structure and function of the intestinal mucosa, reduces the atrophy of the intestinal mucosal barrier, prevents the translocation of intestinal flora, improves immunity, and is conducive to postoperative recovery and reduction of complications. The nutrition elements are comprehensive and can be absorbed by the body faster. Specific nutritionally complete formula foods are suitable for use at home, where patients do not require hospitalization and is more convenient.

- ***Compared with ordinary enteral nutrition:***

  - Our chronic obstructive pulmonary disease-specific nutritionally complete formula targets patients with chronic obstructive pulmonary disease. The fat-to-carbohydrate ratio in the formula is adjusted, and medium-chain fatty acids and n-3 fatty acids are appropriately added to reduce the patient's respiratory load and provide comprehensive and balanced nutritional support.

  - Our diabetes-specific nutritionally complete formula target diabetes patients. It adjusts the proportion of macronutrients and the content of sodium. Under the premise of low glycemic index (low GI), it provides comprehensive and balanced nutritional support for diabetes patients.

  - Our kidney disease (without dialysis)-specific nutritionally formula target patients with kidney disease (without dialysis). The protein and electrolyte contents in the formula are relatively low, with the protein content not exceeding 2.7g/100kcal, fully meeting the special nutritional needs of patients with kidney disease (without dialysis).

As of the Latest Practicable Date, our three specific nutritionally complete formula foods were in process validation and development process and was expected to obtain FSMP approval in 2028.

Other Products and Services

During the Track Record Period, we generated revenue primarily from provision of pharmaceutical intermediates, other medical device and other food products, amounting to RMB5.2 million and RMB7.6 million in 2023 and 2024, respectively. In addition, during the Track Record Period, we provided R&D and consulting services to one customer ("**R&D and Consulting Service Customer**"), and testing and consulting services to So-Young International, from which we generated revenue of RMB2.9 million and RMB1.6 million in 2023 and 2024, respectively.

We entered into R&D and consulting service agreements with our R&D and Consulting Service Customer in the ordinary course of our business. To the best of our Directors' knowledge, the R&D and Consulting Service Customer also sold our FSMP products and certain approved medical devices. It also engaged us for the development and registration of a recombinant collagen freeze-dried dressing product, and marketing and training services for certain products, as a result of our strong R&D, production and commercialization capabilities.

We also entered into testing and consulting service agreements with So-Young International in the ordinary course of our business. So-Young International recognized our R&D and manufacturing capabilities through our collaborations, and hence engaged us for technical consulting services for the construction of its new manufacturing facility in Zhejiang, and testing services for a cross-linked HA product.

OUR LICENSE-OUT AND COLLABORATION ARRANGEMENTS

From time to time, we license out our products to well-recognized market players in the regenerative medicine material industry to expand our sales and grow our business.

License-out Agreements with An Affiliate of A Leading Pharmaceutical Company Listed in Hong Kong

In May 2023, we entered into an exclusive license agreement (the "**2023 License-out Agreement**") with an affiliate of a leading pharmaceutical company listed in Hong Kong concerning the full specifications of our XH301 to be approved by the NMPA regulated as Class III medical device relating to PLLA microsphere filler for injection (i.e. lyophilized powder for injection made primarily of PLLA microsphere, mannitol and sodium carboxymethylcellulose). Pursuant to the 2023 License-out Agreement, we granted to this business partner an exclusive, ten-year (since the date of registration as a Class III medical device in China, subject to renewal), fee-bearing license to promote, sell and commercialize PLLA microsphere filler products, conduct independent market management activities such as bidding and pricing, apply for registered

trademarks, and use the intellectual properties and technology know-how thereof in China, Hong Kong, Macau and Taiwan (collectively, the "**Greater China**"). According to the 2023 License-out Agreement, this business partner shall pay us the license fee for each product, conditional on certain milestones, including the signing of the agreement, the application of registration for the Class III regulated products in China and the receipt of the registration acceptance notice, and the receipt of the relevant registration approval. This business partner is obligated to purchase such products from us at pre-agreed prices, subject to certain adjustments. In January 2024, we entered into another two license agreements (the "**2024 License-out Agreements**", together with the 2023 License-out Agreement, the "**License-out Agreements**") with the same business partner concerning the products with full specifications approved or to be approved by the NMPA regulated as Class III medical device relating to PCL microspheres fillers for facial injection, or a prefilled syringe made of PCL microspheres, cross-linked sodium hyaluronate and lidocaine hydrochloride, and CaHA microsphere fillers for injection, or a prefilled syringe made of CaHA microspheres, sodium hyaluronate, sodium carboxymethylcellulose and lidocaine hydrochloride. The 2024 License-out Agreements have similar key terms as those of the 2023 License-out Agreement. As of the Latest Practicable Date, we had licensed three products to this business partner under the License-out Agreements, having received certain milestone payments.

Strategic Collaboration Agreement with a subsidiary of So-Young International

In July 2023, we entered into a strategic collaboration agreement (the "**Strategic Collaboration Agreement**") with a subsidiary of So-Young International Inc ("**So-Young**"), concerning all the products approved or to be approved by the NMPA regulated as Class III medical device relating to composite solution made primarily of sodium hyaluronate and L-carnosine and glycine and powder for injection made primarily of PLLA microsphere and sodium hyaluronate. Pursuant to the Strategic Collaboration Agreement, we granted to So-Young an exclusive, ten-year (subject to renewal), fee-bearing collaboration right to promote, sell and commercialize PLLA microsphere filler products in Greater China. According to the Strategic Collaboration Agreement, So-Young shall pay us the pre-agreed fee for each product, conditional on certain milestones, including the signing of the agreement, the application of registration for the Class III regulated products, and the receipt of registration approval. So-Young is obligated to purchase a minimum volumes of such products from us at pre-agreed prices, subject to certain adjustments. As of the Latest Practicable Date, we had granted two products to So-Young under the Strategic Collaboration Agreement, having received certain milestone payments. So-Young International, listed on NASDAQ (ticker: SY), is the largest and most vibrant social community in China for consumers, professionals and service providers in the medical aesthetics industry.

RESEARCH AND DEVELOPMENT

Since our inception, we have always considered our R&D capabilities as the backbone of our business and key driver of our growth. Our continuous in-house R&D efforts made by our R&D team members who have in-depth technological knowledge and extensive experience have contributed to the successful development of our key technologies, including the R&D, modification and preparation technology of polymer materials, regenerative biomaterial technology, microsphere R&D and preparation technology and high energy density emulsion industrialization technology. Our R&D team aims to build comprehensively platforms covering the product development, raw material development, pilot transformation, performance evaluation and regulatory registration to roll out our products, and to collaborate with our manufacturing/industrialization arm to build a complete industry chain for our products. Supported by our core R&D platforms, as of the Latest Practicable Date, we had assembled a robust pipeline comprising 13 regenerative medicine material injectable product candidates, one regenerative medicine material medical patch product candidate, and seven FSMP product candidates. Furthermore, as of the Latest Practicable Date, our R&D team had successfully developed seven Class II medical devices and two FSMP products which have been approved and launched to the market.

For the years ended December 31, 2023 and 2024, we incurred R&D costs of RMB45.7 million and RMB45.0 million, respectively, which were charged to the profit and loss account. In 2023 and 2024, R&D costs of RMB5.6 million and RMB7.0 million were attributable to our Core Product, respectively, accounting for 8.8% and 10.0% of our total operating expenses (consisting of research and development costs, selling and distribution expenses and administrative expenses) in the same periods, respectively. For details of our accounting policy regarding capitalized or expensed R&D expenditures, see "Financial Information — Material Accounting Policies and Significant Accounting Judgements and Estimates — Research and Development Costs." We did capitalize any R&D cost during the Track Record Period.

R&D Strategies and Initiatives

R&D remains the backbone of our continued success and business growth. Our current R&D strategies and initiatives mainly focuses on R&D for regenerative medicine material devices and FSMPs.

Regenerative medicine material-based injectables are an important factor in the field of regenerative medicine. We primarily focus on microsphere regeneration technology and regenerative biomaterials-related technology in the field of regenerative medicine material. While learning from past experiences and other similar marketed products, we innovate new strategies for our product pipeline.

We also aim to expand our reach to markets overseas, such as the EU and US. We are currently preparing to submit an application for CE Marking certification for our Core Product. We have begun to explore a license-out model for our Core Product and we expect the Core Product to be launched in 2026 in the EU, expanding into the overseas market.

For our FSMP products, we aim to cover as many nutrients for specific medical use with our FSMP products with full coverage. According to the National Food Safety Standards General Rules for Foods for Special Medical Purposes (《食品安全國家標準特殊醫學用途配方食品通則》), there are 13 common types of specific nutritionally complete formula foods for specific diseases, amongst which we have initiated FSMP projects in relation to three of such diseases, being diabetes, kidney disease and respiratory disease. In line with regulatory updates, we plan to initiate at least one to three FSMP projects, targeting the 13 common types of specific nutritionally complete formula foods for specific diseases and become the first in the industry to achieve full coverage of FSMP products in the next five years.

Key Technologies and R&D Platforms

Over the years, anchoring on the improvement of product safety, efficiency and quality controllability, we have accumulated a broad spectrum of know-how and proprietary technologies which mainly focuses on the following four aspects (i) polymer materials R&D, modification and preparation technology, (ii) bio-regenerative material technology, (iii) microsphere R&D and preparation technology, and (iv) industrialization technology of high energy density emulsions.

Polymer Materials R&D, Modification and Preparation Technology

For more information, see "— Our Product Portfolio — Regenerative Medicine Medical Devices — Regenerative Medicine Materials and Key Technologies and Technological Transition — Regenerative Polymers — Our Research Progress and Technological Achievements."

Bio-regenerative Material Technology

For more information, see "— Our Product Portfolio — Regenerative Medicine Medical Devices — Regenerative Medicine Materials and Key Technologies and Technological Transition — Regenerative Biomaterials — ECM/dECM — Our Research Progress and Technological Achievements."

Microsphere R&D and Preparation Technology

According to Frost & Sullivan, the key challenge in enhancing efficiency and safety of microspheres for regenerative medicine materials is achieving precise control over microsphere size to ensure they effectively promote regeneration while minimizing inflammatory and proliferative responses. If the diameter of microspheres is smaller than 20 μm, they become susceptible to phagocytosis by macrophages, resulting in rapid degradation and diminished

regenerative effects. Conversely, if the diameter of the microspheres is too large, they may excessively activate the immune response, leading to inflammatory hyperplasia, among other possible adverse reactions. We have implemented an innovative emulsification solvent evaporation and screening technology to produce microspheres, achieving a breakthrough in the technical challenges of industrial-scale production. Specifically, we have a series of production facilities including a high-speed cutting and emulsifying formulation system for aqueous and oil phases, a rapid solvent volatilization and solidification system, and an automated washing, screening and collecting system. This has enabled high-success-rate industrial production of targeted microspheres with improved size homogeneity and a narrow particle diameter distribution. Additionally, we have successfully industrialized the production microspheres made from various regenerative medicine materials, such as PLLA, and PCL. In addition, our R&D platform stays at the forefront of microsphere formulation technology development both in China and internationally, incorporating techniques such as double planetary emulsification, membrane emulsification, and microfluidic microsphere formulation. In terms of microfluidic microsphere formulation technology, we have overcome the technical hurdles in mass production, and our microfluidic microsphere production line is expected to commence production in late May 2025. According to Frost & Sullivan, we are one of the first Chinese companies that have commenced operation of a microfluidic production line in China.

Industrialization Technology of High Energy Density Emulsions

We have R&D capabilities in all three types of liquid and emulsion forms of FSMPs. We are committed to providing full coverage of specific nutritionally complete formula foods under FSMPs. According to Frost & Sullivan, increasing the energy density of high energy density emulsions typically requires the addition of high energy density components such as fat and carbohydrates, which may cause a decrease in stability. Maintaining the stability of emulsions over extended periods and preventing issues such as delamination, emulsion breakage, or precipitation are key challenges to address. In our R&D of emulsion products, we have conducted systematic technical research by integrating the preparation processes of aqueous and oily composite emulsions focusing on the challenges of creating high-energy density emulsions related to phase boundary stability, emulsification homogeneity, and physicochemical properties. We have applied high-pressure homogenization technology to optimize the microstructure of the emulsion and improve the dispersion stability. Additionally, our use of rotary sterilization equipment effectively avoid degradation and separation of nutrients in the process of high temperature sterilization, ensuring the stability of nutrients and bio-availability of high energy density emulsion products. Through our industrialization technology in high energy density emulsions, our emulsion products achieved an energy density ranging from 1.5 kcal/ml to 2.0 kcal/ml, allowing us to focus on the differentiated nutritional needs of patients with different specific diseases. We can produce products that better meet the nutritional needs of specific patients with differentiated nutritional

needs as the energy density of our emulsion products can reach up to 1.5 kcal/ml to 2.0 kcal/ml, significantly higher than the market standard of liquid nutritionally complete FSMPs with an energy density of 1.0 kcal/ml according the Frost & Sullivan.

R&D Center and Platforms

Our R&D team consisted of approximately 46 members as of the Latest Practicable Date, most of whom have extensive experience and hold a bachelor's degree or above. We have one R&D center located in Beijing, consisting of five key departments including (i) medical device department, (ii) raw materials department, (iii) FSMP department, (iv) quality supervision department, and (v) registration and evaluation department. All the key R&D personnel involved in the development of our Core Product remained as our employees during the Track Record Period and as of the Latest Practicable Date.

(i) The medical device department is responsible for the design, development and optimization as well as the research, such as pilot transformation of our products. The platform is equipped with preparation process development equipment and instruments such as microsphere preparation system, gel modification preparation system, lyophilized preparation equipment, pre-filled syringe preparation equipment, high-pressure homogenization equipment and sterilizers.

(ii) The raw materials department is responsible for the small-scale industrialization of raw materials and preparation products. The platform is built according to the requirements of GMP system, equipped with auxiliary equipment such as pure water system, high-pressure steam system, clean air-conditioning equipment to meet the needs of clean production and raw material product industrialization as well as the industrialization process transition of lyophilized products and pre-filled syringe products at the same time.

(iii) The FSMP department is responsible for the development of biopolymers, bio-modified materials and other implantable materials. After the needs of subsequent self-developed three types of implantable device product has been met, this platform gradually meets the demand for external material supply as well as the innovative layout of material development direction.

(iv) The quality supervision department is responsible for the compliance supervision and management in the R&D products testing methods and project development process, among which, the supervision part involves the upgrading and management of the R&D system documents, the audit tracking of the R&D project progress and the compliance supervision of the process. The testing platform is responsible for formulating product technical requirements and quality standards, developing methods and verifying performance. This platform is equipped with analyzing and testing instruments such as

optical, gas chromatography, gel chromatography, high-performance liquid chromatography, stability chamber, laser particle size distribution instrument and Ubbelohde kinematic viscosity tester.

(v) The registration and evaluation department is responsible for the evaluative testing, clinical trial, registration declaration, administrative filing and other work relating to the registration of products. This platform grasps the review dynamics based on regulations collected, deeply participates in project initiation work and provides guarantee work for product declaration approvals.

Engagement of CROs

In line with industry practice, we may from time to time engage CROs with professional experience and proper research qualifications to provide services in our preclinical and clinical studies, including preclinical testing, clinical trial operation, data management and statistical analysis, imaging evaluation and other services.

When selecting CROs, we consider a number of factors, including their past experience in preclinical and clinical studies of medical devices and different indications, their qualifications, professional experience of their employees, quality of service and pricing. When determining service fees for CROs, we would discuss with the CRO and set the pricing based on various factors, including the service scope, number of expert advisors in their team, its experience in the industry and quotation fee levels. Depending on the type of services needed, we enter into service agreements with our CROs on a project-by-project basis, which set out detailed work scope, procedures, timeline, payment schedule and so forth. We closely supervise our CROs to ensure they perform in a manner that complies with our protocols, which in turn protects the integrity and authenticity of the data from our trials and studies.

Key terms of our agreements that we typically enter into with our CROs are set forth below:

Services. The CROs provide services in the course of our preclinical studies and clinical trials to us, according to the detailed work scope and procedures set forth in the service agreements, and under our management and supervision.

Term. The CROs are required to perform their services within the prescribed timeframe set out under the service agreements or work order thereunder.

Payments. We are required to make payments to the CROs according to the payment schedule agreed by parties.

Intellectual property rights. We typically own all the intellectual property rights arising from the projects conducted by the CROs under the service agreements.

Confidentiality. Our CROs are not allowed to disclose confidential information, including but not limited to, any technical information, research reports and trial data from the projects under the service agreements, and such obligation generally survives several years upon the termination of service agreements.

For risks relating to our engagement of CROs, see "Risk Factors — Risks Relating to Our Relationships with Certain Third Parties — We work with various third parties to develop our product candidates, such as those who help us conduct our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected timelines, we may not be able to obtain regulatory approval for, or commercialize, our product candidates, and our business could be materially harmed."

MANUFACTURING

We consider our manufacturing capacity and capabilities as one of our key competitive strengths to stand out in our industry. We have one in-house manufacturing facility located in Shuyang county, Jiangsu Province, China, designed with reference to China's GMP standards, EU MDR standards and U.S. FDA standards for medical devices and National Food Safety Standard (GB 29923-2023) for FSMPs. We are constructing phase I of a new manufacturing facility in Chengdu, Sichuan Province, China, followed by a phase II construction plan.

The manufacturing cycle of our products and product candidates range from two to nine days, depending on the product and product candidate. As of the Latest Practicable Date, we owned all the machinery and equipment used in our Shuyang Manufacturing Facility.

Manufacturing Process, Facilities and Capacity

As of December 31, 2024, our Shuyang Manufacturing Facility had a total gross floor area of approximately 7,387 square meters. Our Shuyang Manufacturing Facility is equipped with six workshops, including the (i) sterile processing workshop, (ii) special medical liquid workshop, (iii) general medical device workshop, (iv) regenerative materials workshop, (v) sterile prefilling workshop and (vi) terminal sterilization prefilling workshop. Each workshop operates respective production lines for producing specific regenerative medicine medical device and FSMPs as follows:

(i) **Regenerative materials workshop:** The regenerative materials workshop consists of the terminal sterilization microsphere production line and the cross-linked gel production line.

Components manufactured in the terminal microsphere production line includes PLLA microspheres for transplant and polycaprolactone microspheres, among others.

Components manufactured in the cross-lined gel production line includes l-lactic acid-ethylene glycol copolymer microsphere filler combined with sodium hyaluronate gel, polymethyl methacrylate microsphere filler combined with sodium hyaluronate gel and polycaprolactone microsphere filler combined with sodium hyaluronate gel.

The annual production capacity of the regenerative materials workshop is approximately 1,930kg.

(ii) **Sterile Processing Workshop:** The sterile processing workshop consists of vial production line for freeze-dried powder injections and liquid injections and pre-filled gel injection production line.

Components manufactured in the vial production line for freeze-dried powder injections and liquid injections include PLLA microsphere fillers and sodium hyaluronate compound solutions. Pre-filled gel injection production line is for research purposes and is currently under testing.

A number of products and product candidates are manufactured under this workshop, including XH301, XH305, XH311, XH312, XH306, XH307, XH309, XH310, XH315, XH320, XH321, liquid wound dressing medical wound freeze-dried dressing, recombinant collagen freeze-dried dressing, hydrophilic fiber dressing, medical sodium hyaluronate liquid dressing and recombinant collagen liquid dressing.

The annual production capacity of the sterile processing workshop is approximately 2.3 million doses.

(iii) **Sterile Prefilling Workshop:** The sterile prefilling workshop consists of the pre-filled gel injection production line and pre-filled liquid injection production line.

Components manufactured in the pre-filled gel injection production line includes polycaprolactone microsphere filler for injection and polymethyl methacrylate microsphere filler. Components manufactured in the pre-filled liquid injection production line includes sodium hyaluronate compound solution.

A number of products and product candidates are manufactured under this workshop, including XH302, XH303 and XH319.

The annual production capacity of the sterile prefilling workshop is approximately 6.5 million doses.

(iv) **Final Sterilization Prefilling Workshop:** The final sterilization prefilling workshop consists of the pre-filled gel injection production line. Components manufactured in the pre-filled gel injection production line includes hydroxyapatite microsphere fillers and l-lactic acid-ethylene glycol copolymer microsphere filler. XH304 and XH308 are produced under this workshop.

The annual production capacity of the final sterilization prefilling workshop is approximately 1.2 million doses.

(v) **General Medical Device Workshop:** The general medical device workshop consists of the prefilled syringe production line which manufactures natural cavity lubricant, polyester bottle production line which manufactures mouthwash for mouth ulcer and medical dressings production line.

The annual production capacity of the general medical device workshop is approximately 0.5 million doses for prefilled syringe production line, 0.5 million bottles for polyester bottle production line, and 1.0 million bags for medical dressings production line.

(vi) **FSMP Liquid Workshop:** The FSMP liquid workshop consists of the bottle production line for liquid pharmacokinetical preparations and emulsion and the soft bag production line.

Components manufactured in the liquid pharmacokinetical preparations and emulsions bottle production line includes carbohydrate component formula foods, electrolyte formula foods, protein component formula foods, and nutritionally complete formula foods, such as Xi Qin (西沁) and Xi Hongyuan (西泓源), among others. Products manufactured in the soft bag production line includes low fat pectin.

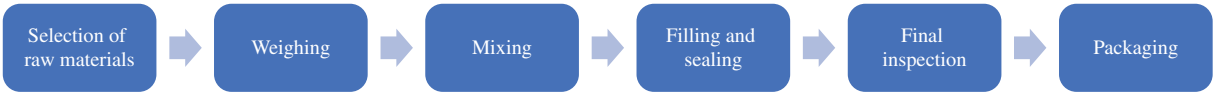
The annual production capacity of the FSMP medical liquid workshop is approximately 1.5 million bottles for bottle production line and 0.8 million bags for soft bag production line.

Each of our production lines generally follows one of three manufacturing process below.

Manufacturing Process for Microspheres and Injectable Fillers

Our manufacturing process for microspheres and injectable fillers are generally divided into two categories depending on the properties of the finished product, being a gel or liquid solution. For pre-filled gel injectables, we weigh the materials according to the instructed amount, prepare microspheres and composite gel according to the process specifications, then mix the microspheres and composite gel, proceed to fill and seal the contents, and conduct final inspection before packaging the product. For pre-filled liquid injectables, we weigh the materials according to the

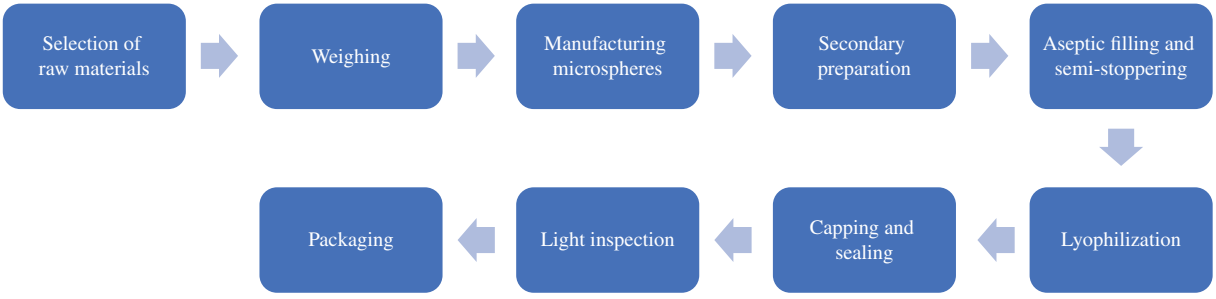
instructed amount, prepare the solution according to the process specifications, proceed to fill and seal the contents, conduct final inspection before packaging the product. The following diagram summarizes the key manufacturing steps for our injectable fillers, such as PCL microspheres.



Manufacturing Process for Lyophilization

We generally select raw materials according to the product formula and weight the raw materials based on the specified parameters. We prepare the oil-water solutions, and the microspheres undergoes emulsification, solidification, water washing, screening and primary freeze-drying, which is then mixed with auxiliary material solutions, which then undergo secondary preparation for the aseptic filling and semi-stoppering process. The intermediate product then undergoes lyophilization, followed by sealing after lyophilization is complete, a light inspection and packaging. The result of finished products after the lyophilization manufacturing process are freeze-dried products.

The following diagram summarizes the key manufacturing steps for products which undergo a manufacturing process for lyophilization.



Manufacturing Process for FSMPs

We generally weigh raw materials according to the product formula and weigh the raw materials based on the specified parameters. We prepare the materials which are proceed with filling and sealing, which then undergoes sterilization, followed by light inspection and packaging. The result of finished goods can be classified into gel or liquid solutions, depending on their physical properties.

The following diagram summarizes the key manufacturing steps for our FSMP products.

Expansion and Upgrades of Manufacturing Facilities

We are constructing phase I of a new manufacturing facility in Chengdu, Sichuan Province, China with a phase II construction plan to proceed in due course ("**Chengdu Construction Project**"). We intend to further elevate our current production capacity by increasing new production lines and increasing manufacturing facility working hours. We believe that the new manufacturing facilities will significantly improve the production capacity for our regenerative medicine medical device and FSMP products and product candidates that we develop and launch in the future. Upon completion of the Chengdu Construction Project, we currently expect that our manufacturing facilities in total will have a theoretical annual production capacity of approximately 6.6 million syringes with gel-based solutions, 6.6 million syringes with water-based solutions, 1.6 million syringes with freeze-dried powder-based solutions, 8.8 million vials of water-based solutions and 2,250 kg of microspheres.

As advised by our PRC Legal Advisors, we have obtained the real estate property ownership certificates for a parcel of land in Chengdu, Sichuan Province, China for the construction of the abovementioned manufacturing facilities, and legally owned the land use right with a site area of approximately 20,341 square meters, which will expire in 2044.

QUALITY MANAGEMENT

Product quality is vital to our business, since any potential quality defect may cause significant risks to consumers who adopt our products. As such, we have instituted a stringent quality management system to ensure that we comply with applicable international and domestic standards and regulations, including GB/T 42061-2022 and ISO 9001:2015.

Quality Management and Quality Supervision

Our quality We have a quality management department at our headquarters, which coordinates and implements our quality management initiatives. As of Latest Practicable Date, our quality had a total of 25 members, with expertise and professional background in areas such as medicine, chemistry, pharmaceuticals and foods. The person-in-charge of our quality department has more than eight years of experience in product safety and quality management. The primary responsibilities of our quality management department include the construction, operation monitoring and upgrading of our quality system, the verification of our raw materials, work-in-progress and finished goods, and the monitoring of data indicators during the production process. We also have a quality supervision department within our R&D team, which is responsible for establishing our R&D management system, monitoring the R&D quality management system and the product performance from our research work.

Quality Management System

Our quality management system encompasses all key aspects of our operations that contribute to consistent product quality, safety and reliability, such as procurement, manufacturing, warehousing and product return and warranty.

Procurement

We have established a rigorous procurement system and systematic procurement policies, with which we seek to ensure the integrity of our raw materials and packaging materials. We have enacted procurement policy to select, monitor and evaluate our suppliers and the goods and services we purchase. We conduct reviews on our supplier candidates on various factors before engaging with them as our suppliers, such as the qualifications of the supplier candidate, product quality, price of the products, manufacturing capability, supply capacity and more. We conduct periodic assessment and evaluation of our suppliers to ensure they can continuously meet our requirements.

Manufacturing

We have implemented various quality control procedures for our manufacturing activities. We have established manufacturing guidelines and procedures and guidance for specific manufacturing steps, including sterilizing procedure and facility and work environment control procedure. We also have procedures to ensure cleanliness of our manufacturing tools to ensure the quality of our products.

In addition, we have a dedicated quality management department responsible for performing various inspections for raw materials, in-process goods, retention of samples and finished goods through sampling and testing. Before storage, the quality management department conducts various inspections on raw materials and packaging materials used in the production process through different sampling methods and ensures the raw materials meet our procurement requirements. During the manufacturing process, the quality management department monitors critical process parameters and data metrics to ensure products are manufacturing according to its requirements.

Warehousing

We have implemented a standard warehouse manual and guideline to be adhered to by all our warehouse management personnel. Our warehouse manual and guideline have strict policies such as ensuring correct labeling for the specific inventory, suitable temperature for the inventory stored in the specified warehouse, cleanliness of the warehouse and prohibition of smoking and use of open flames.

Product return and warranty

We have implemented internal policies and standard procedures regarding product return. Our products are disposable products and are not subject to warranties. We evaluate each product return request on a case-by-case basis, due to issues such as packaging damage and product quality issues. We do not accept product return requests for expired products. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints about product quality, our products had not been subject to any material claim, litigation or investigation, and we were not subject to any material liability owing to any medical institution or end consumer relating to the quality of our products. In addition, during the Track Record Period and as of the Latest Practicable Date, there were no product recalls or fatal accidents as a result of quality defects in our products. During the Track Record Period, we experienced isolated product return and exchange incidents primarily due to packaging damage, and the rate of product returns in terms of sales was 3.0% and 2.4% in 2023 and 2024, respectively.

COMMERCIALIZATION

We have successfully commercialized seven regenerative medicine material-based medical dressing products and two FSMP products since our inception. We sell these products to trading companies, distributors and medical institutions and typically receive one-off payments. In particular, the sales volume of Xi Qin (西沁) products amounted to approximately 200 thousand bottles and approximately 300 thousand bottles in 2023 and 2024, respectively, with a growth rate of more than 50%. According to Frost & Sullivan, it ranked top three in terms of sales volume in the market of liquid-based carbohydrate component formula products for FSMPs in China in 2024.

Sales of Commercialized Products

We have an in-house sales and marketing team comprising of 23 staff to carry out product promotion and sales activities, as of the Latest Practicable Date. Customers of our commercialized products are primarily medical institutions, biotechnology companies, medical device companies and trading companies. We primarily acquire our customers through collecting dynamic bidding information online and attending exhibitions.

We expect to continue to adopt direct sales model for our regenerative medicine material-based medical dressing and patches as well as our FSMP products in the future.

Commercialization Plan of Product Candidates

For our regenerative medicine material-based injectables in pipeline, we expect to leverage the resources of our reputable business partners, including their existing sales channels and strong marketing capabilities and wide coverage, to accomplish a quick market entrance and customer awareness of our products while securing return of our investments in the R&D in the form of license fees. In the future, we plan to expand our in-house sales team and enhance our in-house

sales force and service capabilities to roll out new products, expand our business, increase our brand awareness and boost our revenue. We will closely monitor the performance of our business partners and our in-house sales force so as to promptly adjust the sales and marketing strategies as appropriate.

In addition, except for our licensing-out of XH301 and other strategic collaborations, we plan to continue to explore opportunities to license-out the commercialization rights of XH301 and other products to well-recognized business partners. See "Business — License-out and Collaboration Arrangements."

Pricing Policy

For our regenerative medicine material-based injectables, we expect to adopt a multifaceted pricing strategy by considering the price range of similar products in the market, quotation by potential equity customers, resource capabilities of our equity customers as well as competitive status after the product is successfully registered. For our regenerative medicine material-based medical dressings and patches products and FSMPs, we generally refer to market price to maintain price competitiveness and manufacturing costs.

Product Tracing

We have adopted measures to reduce the negative impact of counterfeits of our marketed products. For instance, we have implemented a UDI system in accordance with the Unique Device Identification System Rules (醫療器械唯一標識系統規則), pursuant to which we apply for a unique code for each category of our medical devices from the NMPA and store the relevant product information and corresponding unique code in the UDI database maintained by NMPA before marketization. We also maintain a company product tracing system to monitor the destinations to which our products are delivered, based on the relevant batch information and corresponding serial number. While these efforts may enhance our ability to ensure the integrity of our products, brand and reputation, we may nonetheless encounter risks associated with counterfeits from time to time. See "Risk Factors — Risks Relating to Commercialization of Our Product Candidates — The illegal and/or counterfeit products may reduce demand for our product candidates, which could have a negative impact on our reputation and business."

CUSTOMERS

Major Customers

During the Track Record Period, we generated revenue primarily from sales of our commercialized products and provision of R&D services. Our customers primarily include medical institutions, trading companies and distributors. Revenue generated from each of our largest customer in 2023 and 2024 accounted for 32.8% and 18.6% of our total revenue in the same periods, respectively. Revenue generated from our five largest customers in 2023 and 2024 accounted for 55.6% and 52.6% of our total revenue in the same periods, respectively.

The following tables set forth details of our five largest customers in each period during the Track Record Period:

For the year ended December 31, 2023

Customer	Commencement of relationship	Customer background and principal business	Nature of revenue	Revenue amount	Percentage of total revenue
				(RMB'000)	*(%)*
Customer A . .	2020	A Shandong-based private company providing R&D and consulting services with a registered share capital of RMB6.0 million, founded in November 2015	Regenerative medicine material-based medical dressings and patches and R&D services	4,228	32.8
Customer B . .	2022	A Zhejiang-based private company providing R&D and sales of medical devices with a registered share capital of RMB3.0 million founded in September 2020	Facial masks	1,078	8.4
Customer C . .	2021	A Jiangsu-based hospital providing medical services established in 1936	FSMP	753	5.8
Customer D . .	2023	An Anhui-based private company primarily engaged in sale of medical devices with a registered capital of RMB0.5 million, founded in October 2022	Facial masks	580	4.5
Customer E . .	2023	A Guangzhou-based private company primarily engaged in R&D and sale of medical devices with a registered share capital of RMB5.0 million, founded in August 2023	Regenerative medicine material-based medical dressings and patches	518	4.0
Total				7,156	55.6

For the year ended December 31, 2024

Customer	Commencement of relationship	Customer background and principal business	Nature of revenue	Revenue amount	Percentage of total revenue
				(RMB'000)	*(%)*
Customer A . .	2020	A Shandong-based private company providing R&D and consulting services with a registered share capital of RMB6.0 million, founded in November 2015	Regenerative medicine material-based medical dressings and patches and R&D services	2,696	18.6
Customer D . .	2023	An Anhui-based private company primarily engaged in sale of medical devices with a registered capital of RMB0.5 million, founded in October 2022	Facial masks	1,784	12.3
Customer F . .	2021	A Zhejiang-based private company primarily engaged in R&D of medical devices with a registered share capital of RMB10.0 million, founded in October 2021	Regenerative material	1,562	10.8
Customer E . .	2023	A Guangzhou-based private company primarily engaged in R&D and sale of medical devices with a registered share capital of RMB5.0 million, founded in August 2023	Regenerative medicine material-based medical dressings and patches	894	6.2
Customer B . .	2022	A Zhejiang-based private company providing R&D and sales of medical devices with a registered share capital of RMB3.0 million founded in September 2020	Facial masks	701	4.8
Total				7,637	52.6

To the best knowledge of our Directors, each of our five largest customers for each period during the Track Record Period is an Independent Third Party. In addition, to the best knowledge of our Directors, there was no other past or present relationships (including financing, trust or otherwise) between us and each of our five largest customers, their respective substantial shareholders, directors or senior management, or any of their respective associates during the Track Record Period. As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

Sales Channels

We sell our products through both direct sales and distribution. The table below sets out a breakdown of our total revenue by sales channels for the periods indicated:

	Year ended December 31, 2023			
	2023		2024	
	RMB'000	*%*	*RMB'000*	*%*
Direct sales	8,793	68.2	10,450	72.0
Distribution	4,089	31.8	4,070	28.0
Total	**12,882**	**100.0**	**14,520**	**100.0**

Direct Sales

As of December 31, 2023 and 2024, we had 212 and 191 direct sales customers, respectively, most of whom were trading companies. Among our direct sales customers, we sold our products to trading companies which may resell our products to other companies, medication institutions or not. These trading companies are not regarded as our distributors as (i) we do not enter into distributor agreements, but sales agreement, with such trading companies, (ii) the transactions with such trading companies are typically one-off in nature, (iii) we are not aware of such trading companies' intention of purchasing our products, whether for resales or not; and (iv) we do not manage them as distributors, such as no intervention with the price and volume of the products sold to such trading companies nor with the sales target and inventory of such trading companies. We acquire direct sales customers primarily by capitalizing on our robust brand reputation and in-house marketing efforts.

The salient terms of our direct sales agreements are set out below:

- *Duration.* We typically negotiate the term of our direct sales agreement on a case-by-case basis, which may be a one-off transaction or a stipulated time period, subject to renewal.

- *Product.* We typically set out the specific products to be purchased by the customer, including their capacity per unit, unit price, and registration number, as well as the sales volume and sales amount of such products.
- *Payment.* We typically require direct sales customers to make prepayments to us when they make orders, while medical institutions to settle with us after they accept our products and we issue invoices to medical institutions.
- *Warranty period.* We may grant medical institutions certain months of warranty period to our customers, within which we allow replacement or return of our products.
- *Product return.* Unless the request for product return is made during the warranty period, we generally only accept product returns for product defect or quality issues.
- *Termination.* Unless force majeure or mutual agreements, neither party is entitled to terminate the agreement.

Distribution

We also sell through distributorship due to their wide customer network, which is an industry norm in the regenerative medicine material industry, according to Frost & Sullivan. The distributorship facilitates rapid establishment of regional sales networks, thereby enhancing our market penetration swiftly, and allows us to streamline our operations to focus on our products and solutions. The distributors are not exclusively engaged to distribute our products. As of December 31, 2023 and 2024, we had 9 and 9 distributors, respectively. The table below sets out the total number of distributors and their movements for the periods indicated:

	Year ended December 31, 2023	
	2023	**2024**
Number of distributors at the beginning of the period	6	9
Number of new distributors for the period[(1)]	3	3
Number of terminated distributors for the period[(2)]	—	3
Net increase (or decrease) in the number of distributors for the period	3	—
Number of distributors at the end of the period	9	9

Notes:

1) New distributors refer to distributors that placed its first order with us in our system in a particular year or period.

2) Terminated distributors refer to distributors that did not transact with us in a particular period.

When selecting our distributors, we fully understand and consider the situation of our distributors in conjunction with the operational qualification requirements for different products. We determine whether to continue our contractual relationships with them based on their

performance, and then enter into distribution agreements with them. They directly purchase products from us with no commission arrangement and are our customers, on-selling our products to medical institutions. The distributors purchase products from us with prepayments and maintain their own inventories. In addition, we may provide recommended market retail prices. Distributors are typically required to ensure that any quotations provided to medical institutions will not fall below the recommended market retail prices stipulated by us in the distribution agreements. Should we discover any prohibited behavior by our distributors, we are entitled to impose punitive measures, or, in severe instances, terminate the distributorship. During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with our distributors.

The salient terms of our standard distribution agreements are set forth below:

- *Duration.* The duration of the distribution agreements is typically one year, subject to renewal annually.
- *Minimum sales.* We typically set annual minimum sales target for our distributors in terms of both sales volume and amounts.
- *Payment.* We typically require prepayments for our products. Once we receive the prepayments from distributors, we will arrange the shipment of our products.
- *Pricing.* We typically provide a price range for our distributors' reference, and the price range is subject to market conditions.
- *Prohibition on goods-fleeing.* Distributors are authorized to sell our products only in specific medical institutions or within a designated region. Any sales out of the designated medical institutions or areas will be punished.
- *Deposit.* We typically require deposit from our distributors within certain days upon the signing of the relevant distribution agreements.
- *Warranty.* We generally provide a warranty period, ranging typically from one to three years, for the products delivered to our distributors. We are liable for damages caused by quality issues during the warranty period.
- *Product returns.* Unless otherwise agreed, we do not accept product returns for non-quality reasons, which is in line with market practice, according to Frost & Sullivan.
- *Termination.* Both parties are entitled to terminate the agreement with prior written notice.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, all of our distributors were Independent Third Parties, and the distributors were not connected to any of the Company, its subsidiaries, their shareholders, directors, senior management or any of their respective associates. During the Track Record Period and up to the Latest Practicable Date, to our best knowledge, besides the ordinary course distribution arrangement with us, there was no other relationship between the distributors and each of our Company, our subsidiaries, our shareholders, directors or senior management or any of their respective associates. Our distributors place orders with us when and to the extent they deem appropriate. In general, during the Track Record Period and up to the Latest Practicable Date, our relationships with distributors had remained stable.

SUPPLIERS

Our suppliers primarily include CROs, medical equipment, construction and engineering service suppliers. Purchase from our largest supplier in 2023 and 2024, respectively, accounted for 11.4% and 15.2%, respectively, of our total purchase in the same periods, respectively. Purchases from our five largest suppliers in 2023 and 2024, respectively, accounted for 43.9% and 42.1% of our total purchases in the same periods, respectively. The following table sets forth details of our five largest suppliers during the Track Record Period:

For the year ended December 31, 2023

Supplier	Commencement of relationship	Supplier background and principal business	Nature of purchase (cash basis)	Purchase amount	Percentage of total purchase
				(RMB'000)	*(%)*
Supplier A . .	2023	A Jiangsu-based private company providing installation and construction services with a registered capital of RMB 21.0 million, founded in September 2006	Construction	9,725	11.4

Supplier	Commencement of relationship	Supplier background and principal business	Nature of purchase (cash basis)	Purchase amount	Percentage of total purchase
				(RMB'000)	*(%)*
Supplier B . .	2021	A Shanghai-based pharmaceutical equipment supplier with total assets of RMB13.1 billion as of December 31, 2024, founded in December 1993 and listed on the Shenzhen Stock Exchange	Equipment	9,469	11.1
Supplier C . .	2021	A Suzhou-based private company providing R&D and consulting services, with a registered capital of RMB 1.0 million, founded in March 2021	R&D services	7,783	9.1
Supplier D . .	2023	A Beijing-based CRO company providing professional clinical research solutions with a registered capital of RMB10.0 million, founded in March 2016 and a wholly-owned subsidiary of a company listed on the Shanghai Stock Exchange	Clinical trials	5,915	6.9
Supplier E . .	2022	A Jiangsu-based private company providing equipment manufacturing services with a registered capital of RMB58.0 million, founded in September 2008	Purification engineering	4,607	5.4
Total				37,499	43.9

For the year ended December 31, 2024

Supplier	Commencement of relationship	Supplier background and principal business	Nature of purchase (cash basis)	Purchase amount	Percentage of total purchase
				(RMB'000)	*(%)*
Supplier D . .	2023	A Beijing-based CRO company providing professional clinical research solutions with a registered capital of RMB10.0 million, founded in March 2016 and a wholly-owned subsidiary of a company listed on the Shanghai Stock Exchange	Clinical trials	8,623	15.2
Supplier F . .	2023	A Hunan-based private CRO company for pharmaceutical and clinical research with a registered capital of RMB 64.0 million, founded in August 2010	Clinical trials	5,096	9.0
Supplier C . .	2021	A Suzhou-based private company providing R&D and consulting services, with a registered capital of RMB 1.0 million, founded in March 2021	R&D services	4,245	7.5
Supplier E . .	2022	A Jiangsu-based private company providing equipment manufacturing services with a registered capital of RMB58.0 million, founded in September 2008	Purification engineering	3,422	6.1

Supplier	Commencement of relationship	Supplier background and principal business	Nature of purchase (cash basis)	Purchase amount	Percentage of total purchase
				(RMB'000)	*(%)*
Supplier G . .	2024	A Jiangsu-based private company providing construction services with a registered capital of RMB 40.0 million, founded in March 2019	Construction services and engineering	2,434	4.3
Total				23,820	42.1

To the best knowledge of our Directors, each of our five largest suppliers for each year during the Track Record Period is an Independent Third Party. In addition, to the best knowledge of our Directors, there was no other past or present relationships (including financing, trust or otherwise) between us and each of our five largest suppliers, their respective substantial shareholders, directors or senior management, or any of their respective associates during the Track Record Period. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

Below is a summary of the key terms of a typical agreement with our major suppliers:

- *Duration*. Typically from around three months up to ten years, or until both parties fulfill their obligations under the agreement.
- *Product/service*. The supplier provides us products such as medical equipment, or services such as purification engineering, clinical trials, construction and R&D services.
- *Payment*. We are required to make payments to the supplier according to the payment schedule agreed by the parties.
- *Credit Term*. Our suppliers generally settle with us by bank transfer and generally do not grant us any credit terms.
- *Confidentiality*. We and the supplier agree to keep confidential any information in relation to the performance of the agreement, including but not limited to the confidential information received from the other party.
- *Termination*. Unless force majeure or mutual agreements, neither party is entitled to terminate the agreement.

RAW MATERIALS

During the Track Record Period, the principal materials for our regenerative medicine medical devices and FSMPs include raw materials and packaging materials. Raw materials we primarily procure include polylactic acid, sodium hyaluronate, hydroxyapatite microspheres (HA), polyvinyl alcohol, L-lactide-polyethylene glycol triblock copolymer, dichloromethane, pectin, casein, crystalline fructose, and maltodextrin. Packaging materials we primarily procure include halogenated butyl rubber stoppers for freeze-dried injections, medium-borosilicate glass tube injection bottles, aluminum-plastic combination caps for antibiotic bottles, pre-filled syringe assemblies, chlorinated butyl rubber stoppers covered with polytetrafluoroethylene/hexafluoropropylene copolymer film for injections, and polypropylene bottles for food packaging.

We select our suppliers based on our business needs, as well as their product quality management, production scale and stability, and pricing levels. During the Track Record Period, we procured our raw materials from manufacturers and suppliers mainly in China, and have maintained stable relationship with major raw materials suppliers. We may contract with more than one supplier for each major type of materials. During the Track Record Period and up to the Latest Practicable Date, we had not experienced significant difficulties in maintaining reliable sources of supplies and expect to be able to maintain adequate sources of quality supplies in the future.

The purchase price of raw materials is based on prevailing market prices of products of similar attributes and our procurement amount. We may manage the fluctuations in the pricing of our raw materials by adopting similar materials from alternative suppliers and renegotiating contract terms with existing suppliers. We believe that during the Track Record Period, fluctuations in raw materials costs have not had a material impact on our results of operations or gross profit margin.

We enter into legally-binding procurement agreements with our suppliers. We negotiate the procurement agreements on a case-by-case basis and provide for the key parameters, unit price and amount. The agreements may also prescribe for quality requirements and other specifications of the raw materials, including sterility requirements, packaging status and quality certificates. The suppliers are generally responsible for delivery of the materials to our business locations. We typically inspect the goods upon delivery and are entitled to exchange goods that fail to meet our specifications and quality standards. The payments are settled via bank transfer.

INVENTORY MANAGEMENT

Our inventories consist of raw materials, work-in-progress and finished goods. As of December 31, 2023 and 2024, we had inventories of RMB6.9 million and RMB6.7 million, respectively. Our raw materials and packaging materials generally have a shelf life of 12 to 60 months, and our finished products generally have a shelf life of 12 to 36 months. We typically maintain an inventory level of approximately four months in 2023 and six months in 2024 for raw

materials and packaging materials, and an inventory level of approximately one to two months in 2023 and 2024 for our finished products. We determine our inventory level by holistically considering the then-current inventory storage level, historical sales, supply chain stability, and market demand, and we also closely monitor outgoing inventory to ensure sufficient supply of our products. Our inventory turnover days were 187 and 176 days in 2023 and 2024, respectively. See "Financial Information — Description of Certain Components of Our Consolidated Statements of Financial Position — Inventories."

We maintain storage facilities in Jiangsu, China to meet the needs of our day-to-day operations, including cold-storage area of approximately 155 square meters and a total storage area of approximately 2,440 square meters. We adopt advanced systems to inspect the quality of materials and products before we admit those into our storage and to manage materials and products that move through our storage. Specifically, we store our inventories according to the storage conditions required by each type of materials, adopt and implement safekeeping measures, such as fire prevention, theft prevention, moisture prevention, pest control and deterioration prevention, and conduct routine inventory checks.

Our supply chain management team is responsible for our inventory management, including (i) establishing and optimizing the supply chain management system, (ii) formulating procurement plans and long-term strategic procurement requirements based on operational needs, (iii) developing and managing our procurement strategies, sourcing from our suppliers and conducting evaluation on our suppliers to establish stable supply channels, (iv) establishing warehouse management systems to ensure the safe, accurate, and efficient flow of materials, and (v) designing logistics and transportation solutions, as well as selecting and managing logistics service providers.

DELIVERY AND LOGISTICS

We generally deliver our products by third-party logistics service providers in China. We determine the mode of transportation for delivery each time we deliver our products. We have standard delivery and logistic guideline and manual to be adhered by our personnel responsible for the delivery of our products and are responsible to ensure the products are delivered in conditions suitable for our product, such as cleanliness, temperature and wet or dry conditions third-party logistics service providers to deliver our products. In engaging third-party logistics service providers, we ensure contracts of with such third-party logistics service providers include clauses to ensure our products are delivered in conditions which meets our requirements.

COMPETITION

We face potential competition from many different sources both globally and locally in the regenerative medicine medical device and FSMP industries, which are highly-competitive and characterized by rapid changes from technological advances and scientific discoveries. These

markets are also subject to overall changes in by relevant regulatory authorities globally and in China. We have faced, and may continue to face, competition mainly from international and domestic manufacturers of regenerative medicine medical device and FSMP companies in areas in which we primarily operate, conduct R&D in and seek future expansion. See "Industry Overview" for more details of the competitive landscape of each relevant market regarding our Core Product, product candidates and commercialized products.

DATA PRIVACY AND SECURITY

We implement internal policies to protect the security and confidentiality of sensitive data that we collect and store in the ordinary course of our business, including primarily personal information relating to our employees as well as intellectual property and proprietary business information. Our data security managers under the operation management department are responsible for data backup, recovery, storage, cleansing, export and modification, as well as timely update and ensure the accuracy of our data records in our information database. We have also designed the following guidelines for the critical aspects of our data security, through which we ensure the integrity and safety of our business information.

- *Data access, authorization and usage.* The operations management department sets up and manages our internal user authorizations according to our information system authorization management methods. The operations management department is responsible for the modifications in such authorizations, upon the receipt of applications from department heads in our office automation (OA) system. Authorized persons shall use and operate information systems within their prescribed authorizations. When sharing information internally, our employees must ensure that the recipient has legitimate business need and proper authorization. Without formal authorization, it is strictly prohibited to disclose any sensitive information relating us to external individuals, organizations, or entities. Our employees must ensure the security of their user information and passwords and may not disclose such to others.

- *Data backup.* The operations management department shall perform data backup based on characteristics of each information system and the content for data backup, including full backup, incremental backup, differential backup, and on-demand backup. The retention period for backup data shall be determined based on the importance of the information system's data, its effective utilization cycle, and specific usage scenarios. We establish the retention period based on the significance and volume of various data, the backup method, and backup frequency.

- *Data storage.* The operations management department must regularly inspect the data storage media to ensure the proper functioning of data storage media. For significant or critical data, complete, authentic, and accurate dumps shall be regularly performed onto storage media and properly preserved in accordance with relevant regulations.

- *Data confidentiality*. We generally encrypt the data, documents and other types of information important to our business. Operations management department shall implement preventive measures against illegal data use, data theft, and data leakage. When handling company data on mobile devices, storage media, or cloud services, every employee must apply proper security controls, including data encryption and strong passwords.

During the Track Record Period and up to the Latest Practicable Date, we were compliant in all material respects with applicable data privacy and security laws and regulations in the PRC. For the potential impact and related risks for data privacy and security breaches, see "Risk Factors — Risks Relating to Regulatory Approvals and Government Regulations — 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."

LICENSES, PERMITS AND APPROVALS

As advised by our PRC Legal Advisors, we had obtained all licenses, permits and certificates necessary to conduct operations in all material respects from the relevant government authorities throughout the Track Record Period and up to the Latest Practicable Date. To the best of our Directors' knowledge, we currently do not expect to encounter any material difficulty in renewing them when they expire, if applicable, and no material unexpected or adverse changes have occurred since the date of their respective issuance. The following table sets out a list of material licenses, permits, and approvals currently held by us:

License/Permit	Issuing Authority	Date of Issuance	Date of Expiration	Corresponding product or product candidate
Registration Certificate of Formula Foods for Special Medical Purposes (特殊醫學用途配方食品註冊證書) . . .	State Administration for Market Regulation (國家市場監督管理總局)	November 7, 2023	April 3, 2028	Electrolyte formula FSMP (特殊醫學用途電解質配方食品)
Registration Certificate of Formula Foods for Special Medical Purposes (特殊醫學用途配方食品註冊證書) . . .	State Administration for Market Regulation (國家市場監督管理總局)	July 10, 2023	November 11, 2026	Carbohydrate component formula FSMP (特殊醫學用途碳水化合物組件配方食品)
Medical Device Registration Certificate of the PRC (中華人民共和國醫療器械註冊證)	Jiangsu Medical Products Administration (江蘇省藥品監督管理局)	July 11, 2023	July 10, 2028	Hydrocolloid dressing (親水性纖維敷料)

License/Permit	Issuing Authority	Date of Issuance	Date of Expiration	Corresponding product or product candidate
Medical Device Registration Certificate of the PRC (中華人民共和國醫療器械註冊證)	Jiangsu Medical Products Administration (江蘇省藥品監督管理局)	January 4, 2023	January 3, 2028	Liquid wound dressing (液體傷口敷料)
Medical Device Registration Certificate of the PRC (中華人民共和國醫療器械註冊證)	Jiangsu Medical Products Administration (江蘇省藥品監督管理局)	March 15, 2023	March 14, 2028	Medical freeze-dried wound dressing (醫用創面凍乾敷料)
Medical Device Registration Certificate of the PRC (中華人民共和國醫療器械註冊證)	Jiangsu Medical Products Administration (江蘇省藥品監督管理局)	December 12, 2023	December 11, 2028	Medical sodium hyaluronate dressing (醫用透明質酸鈉敷貼)
Medical Device Registration Certificate of the PRC (中華人民共和國醫療器械註冊證)	Jiangsu Medical Products Administration (江蘇省藥品監督管理局)	January 23, 2024	January 22, 2029	Recombinant collagen freeze-dried dressing (重組膠原蛋白凍乾敷料)
Medical Device Registration Certificate of the PRC (中華人民共和國醫療器械註冊證)	Jiangsu Medical Products Administration (江蘇省藥品監督管理局)	August 30, 2023	August 29, 2028	Recombinant collagen liquid dressing (重組膠原蛋白液體敷料)
Medical Device Registration Certificate of the PRC (中華人民共和國醫療器械註冊證)	Jiangsu Medical Products Administration (江蘇省藥品監督管理局)	April 18, 2023	April 17, 2028	Medical sodium hyaluronate liquid dressing (醫用透明質酸鈉液體敷料)
Medical Device Registration Certificate of the PRC (中華人民共和國醫療器械註冊證)	Jiangsu Medical Products Administration (江蘇省藥品監督管理局)	January 10, 2020	January 9, 2030	Solutions for mouth ulcer (口腔潰瘍含漱液)
Medical Device Registration Certificate of the PRC (中華人民共和國醫療器械註冊證)	Jiangsu Medical Products Administration (江蘇省藥品監督管理局)	August 5, 2024	January 9, 2030	Natural cavity lubricant (自然腔道潤滑劑)

INTELLECTUAL PROPERTY

Intellectual property rights are the basis for the success of our business, and we are committed to the development and protection of our intellectual property. Our success depends in part on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how. Our success also

depends in part on our ability to defend and enforce our patents, preserve the confidentiality of our trade secrets and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

As of the Latest Practicable Date, we had registered 278 trademarks, 41 patents (including 24 core invention patents associated with our Core Product) in China. As of the same date, we also had 32 patent applications pending in China. See "Statutory and General Information — B. Further Information about Our Business — 2. Our Intellectual Property Rights" in Appendix VII for details.

The table below lists the material patents and patent applications to our Core Product, XH301, and our product candidates as of the Latest Practicable Date. The jurisdiction of each of such patent is the PRC. We do not expect there to be material legal impediments in obtaining approval for our pending patent applications.

Patents:

Patent name	Type of patent	Patent number	Application date	Expiry date	Patent holder
A type of liquid protein component and its preparation method (一種液態蛋白質組件及其製備方法)	Invention	ZL 2022 1 0785901.0	July 4, 2022	July 3, 2042	Jiangsu Xihong
A type of long-acting type I and type V collagen composite implants (一種長效微粒I型與V型膠原蛋白複合植入劑)	Invention	ZL 2022 1 1001402.4	August 19, 2022	August 18, 2042	Jiangsu Xihong
A type of polycaprolactone microsphere gel (一種聚己內酯微球凝膠)	Invention	ZL 2022 1 1609462.4	December 13, 2022	December 12, 2042	Jiangsu Xihong
A type of injectable implant and its preparation method (一種注射植入劑的製備方法)	Invention	ZL 2016 1 0091590.2	February 18, 2016	February 17, 2036	Jiangsu Xihong
A type of injectable implant (一種注射植入劑)	Invention	ZL 2016 1 0090724.9	February 18, 2016	February 17, 2036	Jiangsu Xihong
A type of long-acting microparticle type I collagen implant (一種長效微粒I型膠原蛋白植入劑)	Invention	ZL 2022 1 1000723.2	August 19, 2022	August 18, 2042	Runmei Time
A type of collagen-hyaluronic acid composite gel and its preparation method and application (一種膠原蛋白-透明質酸複合凝膠及其製備方法和應用)	Invention	ZL 2024 1 1132818.9	August 19, 2024	August 18, 2044	Runmei Time and Jiangsu Xihong

Patent applications pending approval:

Patent name	Type of patent	Application number	Application date	Patent holder
A type of nutritionally complete formula food and its preparation method (一種全營養配方食品及其製備方法).	Invention	202510194839.1	February 21, 2025	Runmei Time
A type of highly effective, fast-acting and long-lasting hydroxyapatite implant sponge preparation method (一種高效速效長效的羥基磷灰石植入海綿劑的製備方法)	Invention	202411334353.5	September 24, 2024	Runmei Time
A type of fast-acting and highly effective hydroxyapatite colloidal aqueous solution preparation method (一種可快速起效、高效的羥基磷灰石膠體水溶液的製備方法)	Invention	202411334429.4	September 24, 2024	Runmei Time
A type of fast-acting, highly effective and sustained-release hydroxyapatite prefilled needle preparation method (一種快速起效、高效、緩釋的羥基磷灰石預充針的製備方法).	Invention	202411333671.X	September 24, 2024	Our Company

As of the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent. Based on the freedom to operate (FTO) analysis of our Core Product (XH301), we are not aware of any issued patents that may affect our rights to conduct R&D or commercialize our Core Product in China. FTO analysis is a patent investigation, based on a search of patent databases, that is commonly used to determine whether any existing patents cover a company's product, and whether that product would infringe any existing patents. However, we cannot provide any assurance that all relevant third party patents were identified or that conflicting patents will not be issued in the future.

As of December 31, 2024, we did not find any of such misappropriations of our intellectual property rights. Despite our efforts, third parties may still obtain and misappropriate our intellectual property without authorization. Unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights may adversely affect our business and results of operations. See "Risk Factors — Risks Relating to Our Intellectual Property Rights."

EMPLOYEES

As of the Latest Practicable Date, we had 185 full-time employees, all of whom were stationed in China. The following table sets forth the number of our full-time employees by function as of the Latest Practicable Date:

Function	Number of employees	% of total employees
Manufacturing and quality management	87	47.0
R&D	46	24.9
Human resources and administration	29	15.7
Sales and marketing	23	12.4
Total	**185**	**100.0**

In compliance with the applicable labor laws, we enter into individual employment contracts with our employees, including key R&D personnel, covering matters such as wages, employee benefits, workplace safety and grounds for termination. Our standard employment contract also contains a confidentiality clause and a non-compete clause, where our employees may not conduct business in direct or indirect competition with us during the term of their employment.

We recruit our employees through multiple channels, such as campus recruitment and recruitment platforms. To maintain a stable workforce and retain key personnel, we offer our employee competitive remuneration packages. 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 take into consideration the long-term growth and advancement of our employees and offer opportunities for both job promotion and technical development. We have an internal training for new joiners and internal training tailored to employees from respective departments. We will continue to develop training programs for employees according to the needs of the respective department and continue to invest resources in our talents.

We are required by PRC social insurance and housing provident fund laws and regulations to make contributions for mandatory social insurance and housing provident funds for our employees. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations. See "Risk Factors — Risks Relating to Our Operations — Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties."

We did not make full contributions to the social insurance and housing provident fund for the relevant employees primarily because: (i) the applicable PRC laws and regulations governing social insurance and housing provident funds are intricate and vary by region, which added complexity to our compliance efforts, and (ii) many of our employees were not willing to bear the costs associated with social insurance and housing provident funds.

Our Directors believe that the incident described above would not have a material adverse effect on our business and results of operations, considering that (1) we have obtained written confirmations issued by certain relevant local social insurance and housing provident funds authorities that no administrative penalty was imposed on us during the Track Record Period; (2) as of the Latest Practicable Date, we had not received any notification from the relevant PRC regulatory authorities requiring us to pay material shortfalls with respect to social insurance and housing provident funds; (3) we were not aware of any employee complaints nor were involved in any labor disputes with our employees with respect to social insurance and housing provident funds; and (4) as of the Latest Practicable date, we have made rectifications to the social insurance and housing provident fund for all of our employees.

In addition, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) promulgated on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social insurance arrears.

As advised by our PRC Legal Advisors, the risk relevant local social insurance and housing provident funds authorities will impose administrative penalty on us is remote, and such that the incident described above would not have a material adverse effect on our business and results of operations. Based on the foregoing, we did not make provision for the shortfall in social insurance and housing provident fund contribution.

To monitor our compliance with relevant laws and regulations in respect of social insurance and housing provident fund contributions, we have taken the following internal control measures: (i) we will pay social insurance and housing provident fund for all employees every month in accordance with the requirements of the competent authorities; and (ii) we will maintain close contact and communication with the competent authorities to ensure that the company's social insurance and provident fund payments comply with current regulatory requirements.

We have maintained a good relationship and expect to maintain an amicable relationship in the future with our employees. During the Track Record Period and up to the Latest Practicable Date, there were no material strikes which had an adverse impact on our operations and no material disputes between the Group and our employees.

PROPERTIES

As of the Latest Practicable Date, we owned land use rights to three parcels of land with a total site area of approximately 52,679 square meters. All such properties have been used for non-property activities as defined under Rule 5.01(2) of the Hong Kong Listing Rules and are primarily used as office premises, inventory storage, R&D and manufacturing facilities for our business operations.

Owned Properties

As of the Latest Practicable Date, we owned the land use rights to three parcels of land. The total site area of each site are approximately 20,341 square meters, 18,365 square meters and 13,973 square meters, respectively, and the expiration date of the land use rights to each parcel of land is October 8, 2044, June 4, 2068 and January 15, 2073, respectively. The parcels of land will be used primarily as our manufacturing facilities. As advised by our PRC Legal Advisors, we have obtained the land use certificates for such parcel of land, and legally owned the land use rights to such parcel of land.

As of the Latest Practicable Date, we owned two properties in Jiangsu, China, with a total gross floor area of approximately 15,161 square meters, used primarily as a manufacturing facility. As advised by our PRC Legal Advisors, we have obtained the ownership certificates for such property.

Leased Properties

As of the Latest Practicable Date, we leased five properties, all of which were located in China, details of which are as follows:

No.	Location	Main usage	Approximate GFA (square meters)	End of lease term
1.	Chengdu	Office	161	September 30, 2025
2.	Nanjing	Office	131	October 31, 2025
3.	Guangzhou	Office	84	February 25, 2026
4.	Shenzhen	Office	73	April 30, 2026
5.	Beijing	Office, inventory storage, and R&D	1,680	August 30, 2028

As of the Latest Practicable Date, lessor of one property (no. 3 above) had not provided their legal ownership certificates of relevant properties, relevant lease contracts or the relevant construction planning permits (collectively, "**Property Ownership Certificates**"). Lessors who have not been provided with the property ownership certificates are unable to determine whether the leased properties are buildings that have been approved for construction by the relevant competent authorities. Relevant lease contracts may be deemed invalid by the competent authorities and the relevant leased properties may be demolished under the order of the competent authorities. As such, we may be in risk of being unable to use the relevant leased properties. In addition, in accordance with the relevant provisions of the PRC Civil Code, if the lessee is unable to use or accrue proceeds from the leased property due to any claim by a third person, the lessee may request reduction of rent or refuse to pay rent. Based on the above, our PRC Legal Advisors is of the view that we would not be subject to any administrative penalties with respect to these properties, but our leases may be affected if the lessors of the leased properties do not have the requisite rights to lease the relevant properties. However, where a dispute arises on the said leases, or we suffer a loss as a result of the said leases, we have a right to request a reduction in rent or refuse to pay rent or require the lessor to indemnify such losses under the lease agreements.

As of the Latest Practicable Date, we had not completed the administrative filings of the lease agreement relating to all of the properties in the table above. According to applicable PRC laws and regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with relevant governmental authorities within 30 days after the execution of the lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. 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 administrative filings within the period required by the relevant governmental authorities and the relevant authorities determine that we shall be liable for such failure, we may be subject to a fine of up to RMB10,000 or such other fine which may be determined for each unregistered lease agreement by relevant government authorities.

As of the Latest Practicable Date, we had not been subject to any penalties arising from the Property Ownership Certificates and non-registration of lease agreements. Our Directors believe that the likelihood of our business and results of operations being materially and adversely affected by these title defects is remote, considering that (i) as advised by our PRC Legal Advisors, the Property Ownership Certificates and non-registration of our relevant leased properties will not have material adverse effect on our operation; (ii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or administrative penalties from any PRC government authorities, nor had we received any notice of legal proceedings, claims or challenges from any third party in respect of the Property Ownership Certificates and

non-registration of lease properties; and (iii) if we are unable to continue business operations at the relevant properties for any reason, we can easily move inventory and equipment at the relevant leased properties and relocate our business operations at an alternative leased property.

However, we cannot assure you that we would not be subject to any penalties and/or requests from the relevant governmental authorities to fulfill the registration requirements, which may increase our costs in the future. See "Risk Factors — Risks Relating to Our Operations — We may be required to pay administrative fines for our failure to register some of our lease agreements with housing administration authorities."

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. We maintain insurance policies covering damages to our technical infrastructure. To cover liability claims arising from clinical studies, our CRO companies purchased necessary insurance policies, such as clinical trial insurance, to cover adverse events in our clinical trials. However, in line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman life insurance. During the Track Record Period, we have not made or been the subject of any material insurance claims. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. See "Risk Factors — Risks Relating to Our Operations — Our insurance coverage may not sufficiently cover the risks related to our business operations."

AWARDS AND RECOGNITIONS

The following table sets forth some significant awards and recognition we have received as of the Latest Practicable Date:

Awarding Year	Award/Certificate	Issuing Organization	Awarding Entity
2024.	Jiangsu Province Intelligent Manufacturing Workshop of 2024 (2024年江蘇省智能製造車間)	Jiangsu Provincial Department of Industry and Information Technology (江蘇省工業和信息化廳) and Jiangsu Provincial Department of Finance (江蘇省財政廳)	Jiangsu Xihong

Awarding Year	Award/Certificate	Issuing Organization	Awarding Entity
2024.	Sichuan Province 6th Technology-based Small and Medium-sized Enterprises of 2024 (四川省2024年第6批入庫科技型中小企業)	Sichuan Provincial Department of Science and Technology (四川省科學技術廳)	Our Company
2024.	Sichuan Province 8th Innovative Small and Medium-sized Enterprises (四川省第八批創新型中小企業)	Sichuan Provincial Department of Economy and Information Technology (四川省經濟和信息化廳)	Our Company
2023.	Beijing "Innovative" Small and Medium Enterprises (北京市"創新型"中小企業)	Beijing Municipal Bureau of Economy and Information Technology (北京市經濟和信息化局)	Runmei Time
2022.	High-tech Enterprise (高新技術企業)	Beijing Municipal Science and Technology Commission (北京市科學技術委員會), Beijing Municipal Finance Bureau (北京市財政局), and Beijing Municipal Taxation Bureau of the State Administration of Taxation (國家稅務總局北京市稅務局)	Runmei Time
2022.	High-tech Enterprise (高新技術企業)	Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳), Jiangsu Provincial Department of Finance (江蘇省財政廳), and Jiangsu Provincial Taxation Bureau of the State Administration of Taxation (國家稅務總局江蘇省稅務局)	Jiangsu Xihong
2021.	"Suqian Green Demonstration Enterprise" of 2020 (2020年度"宿遷市綠色示範企業")	Suqian Municipal Industrial Economic High Quality Development Leading Group Office (宿遷市工業經濟高質量發展領導小組辦公室)	Jiangsu Xihong
2019.	2nd Municipal R&D Institution of 2019 (2019年第二批市級研發機構)	Suqian Science and Technology Bureau (宿遷市科學技術局)	Jiangsu Xihong

Awarding Year	Award/Certificate	Issuing Organization	Awarding Entity
2019.	Entrepreneurship and Innovative Talent (雙創人才)	Jiangsu Provincial Committee Organization Department (中共江蘇省委組織部), Jiangsu Provincial Talent Work Leading Group Office (江蘇省人才工作領導小組辦公室), Jiangsu Provincial Committee Propaganda Department (中共江蘇省委宣傳部), Jiangsu Development & Reform Commission (江蘇省發展和改革委員會), Jiangsu Provincial Department of Education (江蘇省教育廳), Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳), Jiangsu Provincial Department of Finance (江蘇省財政廳), Jiangsu Provincial Department of Human Resources and Social Security (江蘇省人力資源和社會保障廳), Jiangsu Provincial Department of Agriculture and Rural Affairs (江蘇省農業農村廳), Department of Commerce of Jiangsu Province (江蘇省商務廳) and Jiangsu Commission of Health (江蘇省衛生健康委員會)	Jiangsu Xihong
2018.	Jiangsu Province 5th Technology-based Small and Medium-sized Enterprises of 2018 (江蘇省2018年第五批擬入庫科技型中小企業)	Jiangsu Province Science & Technology Department (江蘇省科學技術廳)	Jiangsu Xihong

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on the R&D of our product candidates, or 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 adverse impact on our business, financial condition or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we do not have non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on us.

ENVIRONMENTAL, SAFETY, HEALTH AND SOCIAL MATTERS

We acknowledge our environment protection and social responsibilities and are aware of the environmental, energy, climate-related and workplace safety issues that may impact our business operations. We are committed to complying with environmental, social and governance ("**ESG**") reporting requirements upon **[REDACTED]**. We also contractually require our suppliers, such as CROs, to comply with the applicable ESG laws and regulations in all material respects when providing services or supplies for us. Our Board has overall responsibility for (i) overseeing and determining our environmental, social, and climate-related risks and opportunities that impact us, (ii) establishing our ESG related target, (iii) adopting the ESG related policies, and (iv) reviewing our performance in ESG matters.

Environmental Protection

As of the Latest Practicable Date, we had commenced commercial production for certain of our products or product candidates. To ensure compliance with national, industrial, and local environmental standards, laws, regulations, and policies, we have implemented internal policies for environmental risk prevention. These policies include: (i) strict adherence to GMP regulations and relevant pollutant emissions standards; and (ii) controlling exhaust gas emissions, hazardous waste disposal, noise emissions, and wastewater emissions.

- Wastewater treatment: Wastewater from equipment cleaning, purified water preparation, condensate, etc., undergoes pretreatment at our self-built sewage treatment plant before being combined with domestic wastewater for treatment at the sewage treatment plant. Waste liquids from quality testing are classified as hazardous waste and are collected and disposed of by qualified units.

- Solid waste and other hazardous waste treatment: Household garbage and general packaging materials are collected and disposed of by sanitation services. Hazardous waste is collected and then entrusted to qualified units for disposal.

- Air pollution treatment: Our production process emits very few waste gases, posing a negligible environmental impact. We mitigate air pollution through expanding green areas.

During the Track Record Period and up to the Latest Practicable Date, we had not received any fines or penalties associated with the breach of any environmental laws or regulations. To the best knowledge and belief of our Directors, we are not subject to material environmental liability risk and will not incur material compliance costs in the future.

We continuously monitor and strive to reduce hazardous waste production. Our total water consumption was approximately 9,200 tons and 10,600 tons in 2023 and 2024. Due to our efforts to reduce hazardous waste production, we were able to control our wastewater discharge level at

approximately 3,000 tons in both 2023 and 2024, which led to a decrease in our wastewater discharge ratio from 32.6% in 2023 to 28.6% in 2024. We commissioned qualified third parties for wastewater disposal. In 2023 and 2024, we incurred costs of approximately RMB25,000 and RMB25,000, respectively, for wastewater disposal. We did not generate solid waste during the Track Record Period. We are committed to ongoing efforts to protect the ecological environment during our business operations, aiming to minimize adverse environmental impacts.

Resource Consumption

In pursuit of our sustainable development objectives, we rigorously oversee our environmental protection performance across various domains, including resource efficiency and energy consumption. We closely monitor our electricity and water consumption levels and actively implement strategies to enhance energy efficiency and promote water conservation. In aggregate, our electricity consumption levels were approximately 1.1 million kWh and 1.7 million kWh, respectively, in 2023 and 2024. Our water consumption levels were approximately 9,200 tons and 10,600 tons, 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. 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 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 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; and
- regularly conducting inspections of our laboratory equipment in order to check for abnormal conditions.

During the Track Record Period, we complied with the relevant environmental laws and regulations in all material aspects and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations.

Climate Change

We believe that we are not susceptible to climate change. Moreover, we consider that potential changes to the regulations in the PRC regarding climate change will not adversely impact our business operations. We will continue to pay attention to risks regarding climate change and formulate emergency plans to safeguard us from climate change and extreme weather conditions, such as hurricane and rainstorms. As of the Latest Practicable Date, we had not experienced any material impact on our business operations or financial performance because of climate change or extreme weather conditions.

Preclinical and Clinical Study

We have implemented a series of measures to bolster laboratory and clinical trial safety while ensuring compliance with relevant regulations. These measures include the establishment and enforcement of internal policies and procedures aimed at clinical trial safety, starting with: (a) formulating a comprehensive R&D project management policy to oversee the entire lifecycle process of product development, encompassing preclinical studies and clinical trials; (b) implementing guidelines pertaining to the safety of our employees and operational safety within laboratory settings; (c) monitoring adverse events associated with products and product candidates during clinical trials and maintaining accurate records of these events for each trial; (d) conducting analysis of collected adverse events and assessing associated safety risks; (e) reporting serious adverse events and potential safety risks; and (f) facilitating communication with relevant employees and CROs to ensure enforcement of clinical trial protocols.

Workplace Safety

We are dedicated to ensuring a safe working environment for our employees. We firmly believe that a safe and healthy workplace is not only crucial for the well-being of our employees but also indispensable for the sustainability of our business. We have implemented and upheld a comprehensive set of rules, standard operating procedures, and measures to ensure the health and safety of our employees. Our safety guidelines cover a range of areas including identifying potential hazards, safe practices, accident prevention, and procedures for reporting accidents. We ensure that our employees continually acknowledge their understanding of safety protocols as needed. Specifically, we:

- have established guidelines governing laboratory procedures and the handling, use, storage, treatment, and disposal of hazardous materials and wastes;

- provide regular safety awareness training to our employees, including sessions on fire control and safety;
- maintain health records for all employees and conduct health examinations before, during, and after their tenure with the Company, especially for those engaged in work involving occupational hazards; and
- conduct regular fire safety inspections, ensure the maintenance of firefighting equipment, and organize routine emergency drills to prepare employees for emergency situations.

Workplace Diversity

We are steadfast in our commitment to fostering an open and inclusive workplace that champions equality. We aim to hire employees based solely on their merits, offering equal opportunities regardless of gender, age, race, religion, or any other social or personal characteristics. As of the Latest Practicable Date, 57% of our total employees were female. Our employee management system operates on principles of fairness and transparency, and we actively work to enhance gender and age diversity within our workforce.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have designated responsible personnel to monitor ongoing compliance with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

We have adopted a set of internal rules and policies governing the conduct of our employees, with regards to authorized use of corporate funds and assets, maintenance of work orders, information security and business fair dealings. Specifically, we have established systemic anti-bribery and anti-corruption measures to ensure that our employees comply with our internal rules and policies as well as applicable laws and regulations.

We offer onboard training to our new employees and continuing training to our existing employees to enhance their knowledge and awareness of the relevant policies and regulations. We also keep abreast of the latest regulatory updates and communicate with the relevant regulatory authorities from time to time to discuss the latest regulatory requirements of regenerative medicine medical device and FSMP industries globally and in China.

We have also implemented internal control measures with respect to business dealings with our suppliers and customers. We typically include an anti-corruption clause in the agreement with our suppliers, under which each supplier undertakes not to, directly or indirectly, provide, or offer to provide, any payment, loans, gifts or other things of value for us or our employees. We also include an anti-commercial bribery clause in the sales agreements with our direct sales customers and distributors, under which both we and our customers undertake not to provide, make or accept kickback, cash, gifts, things of value or other inappropriate benefits.

During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures. Our Directors are of the view that we have adequate and effective internal control procedures.

Risk Management

We are exposed to various risks during our operation. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of regenerative medicine medical devices and FSMP, changes in the regulatory environment in the PRC medical industry, our ability to offer quality products, our potential expansion into other regions in China, availability of financing to fund our expansions and business operations, and competition from other market players. See "Risk Factors" for disclosures on various risks we face. In addition, we face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. See "Financial Information — Liquidity and Capital Resources."

We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the administration of daily operations, financial reporting and recording procedures, and compliance with applicable laws and regulations. Our Board oversees and manages the overall risks associated with our operations. We [have] established the Audit Committee to review and supervise the financial reporting process and internal control system of our Group. See "Directors, Supervisors and Senior Management — Board Committees — Audit Committee" for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee. We [have] adopted written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules.

BOARD OF DIRECTORS

Our Board of Directors comprises eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include determining our business and investment plans, preparing our annual financial budgets and final reports, and exercising other powers, functions and duties as conferred by the Articles. We have entered into a service contract with each of our Directors.

The table below sets out the key information of our Directors, Supervisors and senior management:

Our Directors

Name	Age	Date of joining our Group	Date of appointment as Director	Main Position/Title	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Executive Directors						
Mr. Zhang Xinming (張新明).	[51]	January 1, 2019	May 23, 2023	Executive Director, chairman of our Board, general manager and president of our Company	Responsible for the strategic planning, business direction and operational management of our Group	Sibling of Mr. Zhang Tianming (張天明)
Dr. Fu Jie (付劼)	[51]	June 1, 2020	March 26, 2025	Executive Director and vice president of our Company	Responsible for management of the Company's R&D team, promoting R&D projects and establishing the quality control mechanisms of our Group	None

Name	Age	Date of joining our Group	Date of appointment as Director	Main Position/Title	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Tang Haiwei (唐海威).	[49]	November 1, 2018	December 8, 2023	Executive Director and vice president of our Company	Responsible for the management of the Company's back-end functional departments including finance, human resources and administration, operations management and investment departments of our Company	None
Non-executive Directors						
Mr. Li Qian (利虔)	[43]	December 8, 2023	December 8, 2023	Non-executive Director	Responsible for providing guidance for the strategy and business development of our Group	None
Dr. Jiang Fei (姜非)	[48]	March 26, 2025	March 26, 2025	Non-executive Director	Responsible for providing guidance for the strategy and business development of our Group	None

Name	Age	Date of joining our Group	Date of appointment as Director	Main Position/Title	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Independent non-executive Directors						
Mr. Cheng Hoo (鄭豪)	[63]	May 6, 2025	May 6, 2025	Independent non-executive Director	Responsible for providing independent advice to our Board	None
Dr. Gong Tao (龔濤)	[55]	May 6, 2025	May 6, 2025	Independent non-executive Director	Responsible for providing independent advice to our Board	None
Ms. Zhang Xiaoyu (張曉宇)	[48]	May 6, 2025	May 6, 2025	Independent non-executive Director	Responsible for providing independent advice to our Board	None

Our Supervisors

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Main Position/Title	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Cheng Huazhong (程華中)	[52]	September 29, 2024	December 17, 2024	President of the Supervisory Committee, Supervisor	Responsible for presiding the work of the Supervisory Committee, supervising and providing independent advice to our Board	None
Mr. Lyu Xuefu (呂學富)	[46]	November 16, 2021	December 17, 2024	Supervisor	Responsible for supervising and providing independent advice to our Board	None

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Main Position/Title	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. Chen Wenjie (陳文潔).	[37]	December 21, 2020	December 17, 2024	Supervisor	Responsible for supervising and providing independent advice to our Board	None

Our senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Main Position/Title	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Zhang Xinming (張新明).	[51]	January 1, 2019	May 23, 2023	Executive Director, chairman of our Board, general manager and president of our Company	Responsible for the strategic planning, business direction and operational management of our Group	Sibling of Mr. Zhang Tianming (張天明)
Dr. Fu Jie (付劼) . . .	[51]	June 1, 2020	December 17, 2024	Executive Director and vice president of our Company	Responsible for management of the Company's R&D team, promoting R&D projects and establishing the quality control mechanisms of our Group	None

Name	Age	Date of joining our Group	Date of appointment as senior management	Main Position/Title	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Tang Haiwei (唐海威).	[49]	November 1, 2018	December 17, 2024	Executive Director and vice president of our Company	Responsible for the management of the Company's back-end functional departments including finance, human resources and administration, operations management and investment departments of our Company	None
Mr. Wang Xuhai (王緒海).	[43]	March 1, 2020	December 17, 2024	Vice president of our Company	Responsible for the sales and marketing management of our Group	None
Mr. Zhang Tianming (張天明).	[49]	November 12, 2018	December 17, 2024	General manager of Jiangsu Xihong, executive director and general manager of Jiangsu Hongjun, and executive director and general manager of Suqian Yanmei	Responsible for the daily operations of Jiangsu Xihong, Jiangsu Hongjun and Suqian Yanmei	Sibling of Mr. Zhang Xinming (張新明)
Ms. He Wei (何偉). .	[46]	July 1, 2019	April 30, 2025	Deputy general manager of Runmei Time	Responsible for R&D management in Runmei Time	None

Name	Age	Date of joining our Group	Date of appointment as senior management	Main Position/Title	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Xu Zengsong (徐增松).	[42]	February 13, 2017	April 30, 2025	Deputy general manager of Jiangsu Xihong	Responsible for the production management of Jiangsu Xihong	None

Executive Directors

Mr. Zhang Xinming (張新明), aged [51], is the founder of our Group. Mr. Zhang has been serving as our executive Director, chairman of our Board and general manager since May 23, 2023. Mr. Zhang was appointed as our president on December 17, 2024. He is primarily responsible for the strategic planning, business direction and operational management of our Group.

Mr. Zhang served as the general manager of Jiangsu Xihong from January 2019 to December 2024, and has been serving as the sole executive director of Jiangsu Xihong since January 2019 and the sole executive director of Runmei Time since January 2025, respectively.

Mr. Zhang has nearly [29] years of experience in the pharmaceutical industry. From July 1996 to December 2001, Mr. Zhang served at Shenzhen China Resources Sanjiu Pharmaceutical Trading Co., Ltd.(深圳華潤三九醫藥貿易有限公司) (formerly known as Shenzhen Sanjiu Pharmaceutical Trading Co., Ltd. (深圳市三九醫藥貿易有限公司)) ("**Sanjiu Pharmaceutical**"), a pharmaceutical company primarily engaged in sale of pharmaceutical products and a subsidiary of China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (stock code: 000999.SZ). From January 2002 to July 2008, Mr. Zhang served at Lansen Pharmaceutical (Shenzhen) Company Limited (朗生醫藥(深圳)有限公司) ("**Lansen Shenzhen**"), a pharmaceutical company primarily engaged in pharmaceutical, healthcare and cosmetic business, with his position as director of OTC business, where he was primarily responsible for marketing management in west China region. From August 2008 to December 2010, Mr. Zhang served at Ningbo Liwah Pharmaceutical Co., Ltd (寧波立華製藥有限公司), a pharmaceutical manufacturing company primarily engaged in modern herbal medicine, with his position as general manager, where he was primarily responsible for the company's operations and management. From August 2011 to December 2018, Mr. Zhang served at Sinomune Pharmaceutical Co., Ltd. (江蘇知原藥業有限公司) ("**Sinomune**"), a pharmaceutical company primarily engaged in R&D, manufacturing and sale of pharmaceutical products, with his position as general manager primarily, where he was responsible for the company's operations and management.

Mr. Zhang graduated from West China Medical Center, Sichuan University (四川大學華西醫學中心) (formerly known as West China University of Medical Sciences (華西醫科大學)) in the PRC in June 1996 with a bachelor's degree in pharmacy. Mr. Zhang was awarded Ningbo Science and Technology Progress Award (寧波市科學技術進步獎) by Ningbo Science and Technology Bureau (寧波市科學技術局) in January 2009 and the title of senior economist (高級經濟師) by Department of Human Resources and Social Security of Zhejiang Province (浙江省人力資源和社會保障廳) in December 2010.

Dr. Fu Jie (付劼), aged [51], was appointed as our Director on March 26, 2025, and was redesignated as our executive Director on May 6, 2025. Dr. Fu was appointed as our vice president on December 17, 2024. Dr. Fu is primarily responsible for the management of the Company's R&D team, promoting R&D projects and establishing the quality control mechanisms of our Company.

Dr. Fu joined our Group in June 2020 and served as the deputy general manager of Jiangsu Xihong from June 2020 to December 2024, the executive director of Runmei Time from December 2023 to January 2025, the general manager of Runmei Time since April 2021.

Dr. Fu has over 20 years of experience in pharmaceutical industry. From July 2001 to August 2003, Dr. Fu served at Joinn Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司), a joint stock limited liability company listed on the Stock Exchange (stock code: 6127) and the Shanghai Stock Exchange (stock code: 603127.SH), a CRO company primarily engaged in the research of pharmaceutical products, with his position as project manager, where he was primarily responsible for the development of new pharmaceutical products. From August 2003 to October 2011, Dr. Fu served at Beijing Baiao Pharmaceuticals Co., Ltd (北京百奧藥業有限責任公司) ("**Beijing Baiao**"), a pharmaceutical company primarily engaged in manufacturing and sale of lumbrokinase capsules, where he held the position as project manager and was primarily responsible for the development of new pharmaceutical products. From October 2011 to May 2020, Dr. Fu served at Sinomune with his position as deputy general manager, where he was primarily responsible for promoting R&D projects and establishing the quality control mechanisms in Sinomune.

Dr. Fu received a bachelor's degree in pharmacy from West China Medical Center, Sichuan University (四川大學華西醫學中心) (formerly known as West China University of Medical Sciences (華西醫科大學)) in the PRC in June 1996, a master's degree in pharmacy from Sichuan University (四川大學) in the PRC in June 2001 and a doctorate degree in biology and medicine from Central South University (中南大學) in the PRC in December 2024. He was qualified as a licensed pharmacist by Beijing Municipal Bureau of Personnel (北京市人事局) in October 2002

and qualified as a senior engineer by the Jiangsu Provincial Department of Human Resources and Social Security (江蘇省人力資源和社會保障局) in December 2015. Dr. Fu was recognized as an innovative leader in the Wuxi City Taihu Talent Program (太湖人才計劃) in 2018.

Mr. Tang Haiwei (唐海威), aged [49], was appointed as our Director on December 8, 2023 and was redesignated as our executive Director on May 6, 2025. Mr. Tang was appointed as our vice president on December 17, 2024. He is primarily responsible for the management of the Company's back-end functional departments including finance, human resources and administration, operations management and investment departments of our Company.

Mr. Tang joined our Group in November 2018 and served as the deputy manager of Jiangsu Xihong from November 2018 to December 2024.

Mr. Tang has nearly [26] years of experience in pharmaceutical industry. From July 1998 to December 2001, Mr. Tang served at the finance department of Sanjiu Pharmaceutical. From January 2002 to May 2012, Mr. Tang served at Lansen Shenzhen. From August 2012 to January 2020, Mr. Tang served at Sinomune with his last position as a director, where he was primarily responsible for the overall management of the back-end functional departments of Sinomune.

Mr. Tang graduated from Central University of Finance and Economics (中央財經大學) in the PRC in July 1998 with a bachelor's degree in economics. He also obtained a master's degree in business administration from Xiamen University (廈門大學) in the PRC in June 2016.

Non-executive Directors

Mr. Li Qian (利虔), aged [43], was appointed as our Director on December 8, 2023, who was designated by Beijing Sun-Novo, a **[REDACTED]** investor of our Company. Mr. Li was re-designated as our non-executive Director on May 6, 2025. Mr. Li is primarily responsible for providing guidance for the strategy and business development of our Group.

From June 2005 to June 2014, Mr. Li served as the chief executive officer and general manager of Beijing Haitai Tianzheng Medical Technology Co., Ltd. (北京海泰天正醫藥科技有限公司), a company primarily engaged in the promotion of technology and application services. Mr. Li has held several management positions at Beijing Sun-Novo since March 2009, a CRO company listed on the Shanghai Stock Exchange (stock code: 688621), with his last positions as director and chairman of the board of Beijing Sun-Novo, where he is primarily responsible for the overall management of Beijing Sun-Novo. Mr. Li has been serving as (i) the executive director of Jiangsu Langyan Life Technology Holdings Co., Ltd. (江蘇朗研生命科技控股有限公司), a company primarily engaged in corporate management and consulting services, since February 2016; (ii) the

chairman of the board of Beijing Baiao since March 2016; and (iii) chairman of the board of Jiangsu Yong'an Pharmacy Company Limited (江蘇永安製藥有限公司), a pharmaceutical manufacturing company, since December 2016.

Mr. Li has been studying the Business Scholar Program (DBA) at the Cheung Kong Graduate School of Business (長江商學院) in the PRC since June 2024.

Dr. Jiang Fei (姜非), aged [48], was appointed as our Director on March 26, 2025, who was designated by Kangzhe VC, a **[REDACTED]** investor of our Company. Dr. Jiang was redesignated as our non-executive Director on May 6, 2025. Dr. Jiang is primarily responsible for providing guidance for the strategy and business development of our Group.

Dr. Jiang joined China Medical System, a company listed on the Stock Exchange (stock code: 867) in January 2022, and has been serving as the chief investment officer of such company. Dr. Jiang received a bachelor's degree in chemical engineering from East China University of Science and Technology (華東理工大學) in the PRC in July 1998 and a doctorate degree in chemical engineering from Syracuse University in the United States in December 2006.

Independent non-executive Directors

Mr. Cheng Hoo (鄭豪), aged [63], was appointed as our independent non-executive Director on May 6, 2025, effective from the **[REDACTED]**. Mr. Cheng is responsible for providing independent advice to our Board.

Mr. Cheng graduated from University of Hong Kong in Hong Kong with a bachelor's degree in law in 1987. He was admitted as a solicitor in Hong Kong in 1990 and in England and Wales in 1995. Mr. Cheng has nearly 35 years' experience in the practice of law. He is a co-founder and senior partner of Nixon Peabody CWL since May 2002.

Dr. Gong Tao (龔濤), aged [55], was appointed as our independent non-executive Director on May 6, 2025, effective from the **[REDACTED]**. Dr. Gong is responsible for providing independent advice to our Board.

From July 1995 to September 2001, Dr. Gong served at West China University of Medical Sciences Factory (華西醫科大學製藥廠) with his position as deputy director of new product development, where he was primarily responsible for new product development. Dr. Gong has been teaching at Sichuan University (四川大學) in the PRC since July 2004, where he was qualified as a professor by the professional and technical position evaluation committee (專業技術職務評審委員會) at Sichuan University (四川大學) in the PRC in July 2011.

Since May 2016, Dr. Gong has been serving as an independent non-executive director primarily responsible for supervising and providing independent advice to the board of directors at various listed companies, including at: (i) C.Q. Pharmaceutical Holding Co., Ltd. (重藥控股股份有限公司) from September 2017 to November 2023, a company primarily engaged in the distribution of pharmaceutical products, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000950.SZ); (ii) Tianjin Chase Sun Pharmaceutical Co., Ltd (天津紅日藥業股份有限公司) from January 2020 to April 2025, a company primarily engaged in R&D, manufacturing and sale of pharmaceutical products in China, whose shares are listed on the Shenzhen Stock Exchange (stock code: 300026.SZ); and (iii) Chongqing Zhifei Biological Products Co., Ltd. (重慶智飛生物製品股份有限公司), a company primarily engaged in R&D, manufacturing, sales and distribution of vaccines and biological products, whose shares are listed on the Shenzhen Stock Exchange (stock code: 300122.SZ) since September 2021.

Dr. Gong graduated from West China Medical Center, Sichuan University (四川大學華西醫學中心) (formerly known as West China University of Medical Sciences (華西醫科大學)) in the PRC with a bachelor's degree in science, majoring in pharmacy in July 1992, a master's degree in pharmacy in July 1995, and a doctorate degree in pharmacy in June 2004. He was qualified as a licensed pharmacist by Ministry of Human Resources of the PRC (中華人民共和國人事部) in November 1999.

Ms. Zhang Xiaoyu (張曉宇), aged [48], was appointed as our independent non-executive Director on May 6, 2025, effective from the **[REDACTED]**. Ms. Zhang is responsible for providing independent advice to our Board.

From July 1998 to November 2002, Ms. Zhang served at Shenzhen Neptunus Bioengineering Co., Ltd. (深圳市海王生物工程股份有限公司), a company primarily engaged in the R&D, manufacturing and sales of biological products, with her position as finance manager, where she was primarily responsible for financial accounting and budget allocation. From December 2002 to February 2007, Ms. Zhang served at Shenzhen Neptunus Internlong Bio-technique Company Limited (深圳市海王英特龍生物技術股份有限公司), a joint stock limited liability company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8329), with her position as company secretary, where she was responsible for Stock Exchange information disclosure and file management and investor relations. From November 2009 to December 2015, Ms. Zhang served at TaiBang Group Co. Ltd. (深圳泰邦集團有限公司), with her position as general manager of the finance department, where she was primarily responsible for financial accounting and budget allocation. From March 2016 to January 2018, Ms. Zhang served at Shenzhen Zhongyou International Education Co., Ltd. (深圳市中幼國際教育科技有限公司), with her position as board secretary, where she was primarily responsible for corporate governance. From January 2018 to October 2019, Ms. Zhang served at Shenzhen Dvision Co., Ltd (深圳市迪威迅股份有限公司)("**Shenzhen Dvision**"), a joint stock limited liability company listed on the Shenzhen Stock

Exchange (stock code: 300167), with her position as board secretary, where she was primarily responsible for information disclosure and investor relations. From May 2021 to May 2024, Ms. Zhang served at Shenzhen Dvision New Software Technology Co., Ltd. (深圳市迪威新軟件技術有限公司), a subsidiary of Shenzhen Dvision, with her position as deputy general manager, where she was primarily responsible for investment management.

Ms. Zhang received a bachelor's degree in financial management from Central University of Finance and Economics (中央財經大學) in the PRC in July 1998. Ms. Zhang obtained the qualification of intermediate accountant (中級會計師) from Department of Personnel of Guangdong Province (廣東省人事廳) (now known as Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)) in September 2008, the qualification of intermediate auditor (中級審計師) and the qualification of certified tax agent (註冊税務師) both from from Human Resources and Social Security Department of Guangdong Province in February 2013 and October 2014, respectively. Ms. Zhang also possesses the qualification certificate of board secretary issued by the Shenzhen Stock Exchange and the Hong Kong Institute of Chartered Secretaries in June 2000.

Save as disclosed above and in this document, each of our Directors has confirmed that he/she has no other relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of our Company and none of our Directors has held any other directorships in listed companies during the three years immediately preceding the date of this document.

Save as disclosed above, each of our Directors has confirmed that there are no other matters relating to his/her appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Each of our Directors has confirmed that he/she obtained the legal advice on May 6, 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, he/she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person (as defined in the Listing Rules) of our Company and that there are no other factors that may affect his/her independence at the time of his/her appointment.

SUPERVISORS

Our Supervisory Committee is responsible for supervising the board of directors and senior management on fulfilling their respective duties and financial performance of the corporation. The Supervisory Committee consists of three members.

Mr. Cheng Huazhong (程華中), aged [52], was appointed as our Supervisor and the president of the Supervisory Committee on December 17, 2024. He is primarily responsible for presiding the work of the Supervisory Committee, supervising and providing independent advice to our Board.

Mr. Cheng joined our Group in September 2024 as the director of operations management department, and has been serving as the supervisor of each of Jiangsu Xihong, Runmei Time, Suqian Yanmei and Jiangsu Hongjun since January 2025.

From July 1996 to December 2001, Mr. Cheng served at Sanjiu Pharmaceutical. From January 2002 to October 2005, Mr. Cheng served at Lansen Shenzhen. From November 2005 to March 2016, Mr. Cheng worked at Lansen Holdings. From April 2016 to August 2022, Mr. Cheng worked as the director of compliance in Sinomune, where he was primarily responsible for the digitization of internal information and compliance management. From September 2022 to February 2024, Mr. Cheng served at Shenzhen Jiumu Optical Technology Co., Ltd. (深圳九目視光科技有限公司), a company mainly engaged in the sales of medical devices. Mr. Cheng was previously a supervisor of Shenzhen Chuangruifeng Industrial Development Co., Ltd. (深圳市創瑞豐實業發展有限公司), a limited liability company established in the PRC, which was dissolved on January 10, 2001. Mr. Cheng confirmed that (i) the company had no business operations; (ii) the company was solvent immediately prior to its dissolution; (iii) no material litigations in any jurisdiction had been involved in the dissolution of the company; (iv) there was no wrongful act on his part leading to or during the dissolution of the company; (v) he was not aware of any claim which had been made against him as an result of such dissolution.

Mr. Cheng received a bachelor's degree in science from Fudan University (復旦大學) in the PRC in July 1996.

Mr. Lyu Xuefu (呂學富) (formerly known as Lyu Fuguo (呂富國)), aged [46], was appointed as our Supervisor on December 17, 2024. He is responsible for supervising and providing independent advice to our Board.

Mr. Lyu joined our Group in November 2021 and currently serves as the director of technology department of Jiangsu Xihong.

From December 2002 to July 2003, Mr. Lyu worked as a workshop supervisor at Yuekang Pharmaceutical Group Co. Ltd. (悦康藥業集團股份有限公司), a pharmaceutical manufacturing company. From August 2003 to January 2005, Mr. Lyu served as a project supervisor at Beijing Tianlong Bowei Consulting Co., Ltd. (北京天龍博威諮詢有限公司), a company engaged in technology consulting. From January 2005 to December 2016, Mr. Lyu worked as a quality assurance officer and the director of biochemical raw materials workshop at Beijing Baiao, where he was primarily responsible for quality management and manufacturing planning. From December 2016 to June 2020, Mr. Lyu worked as production director at Fujian Pulichen Biotechnology Co., Ltd. (福建普立辰生物技術有限公司). From July 2020 to July 2021, Mr. Lyu worked as manager of production department of Beijing Huashi Tianfu Biological Medicine Technology Co., Ltd. (北京華世天富生物醫藥科技有限公司). From August 2021 to October 2021, Mr. Lyu worked as quality assurance manager at Human (Beijing) Diagnostic Technology Co., Ltd. (胡曼(北京)診斷技術有限責任公司), a company primarily engaged in vitro diagnostic reagent medical devices, where he was primarily responsible for management of the quality assurance system.

Mr. Lyu received a college degree in pharmacy from Open University of China (國家開放大學) (formerly known as China Central Radio and TV University (中央廣播電視大學)) in the PRC in March 2005 and a bachelor's degree in applied pharmacy through online courses from Peking University (北京大學) in the PRC in July 2010. Mr. Lyu was qualified as assistant engineer in November 2008 and junior health professional technician (初級衛生專業技術人員) in May 2013 both awarded by Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局).

Ms. Chen Wenjie (陳文潔), aged [37], was appointed as our Supervisor on December 17, 2024. She is responsible for supervising and providing independent advice to our Board.

Ms. Chen joined our Group in December 2020 and currently serves as deputy director of the registration and evaluation department of Runmei Time.

From June 2016 to October 2018, Ms. Chen served as a product development engineer in Beijing Guanlan Technology Co., Ltd. (北京觀瀾科技有限公司), a company mainly engaged in the R&D of new biological material and bacterial fertilizers, where she was primarily responsible for R&D, production and application development of the company's products. From October 2018 to October 2020, Ms. Chen worked at Beijing Zhongsheng Jinyu Diagnosis Technology Co., Ltd. (北京中生金域診斷技術有限公司), a company primarily engaged in the R&D, manufacturing and sales of in vitro diagnostic reagents, where she was primarily responsible for promoting clinical trials and registration of the company's products.

Ms. Chen received a bachelor's degree in applied chemistry from North University of China (中北大學) in the PRC in July 2011 and a master's degree in applied chemistry from the same university in June 2014.

Save as disclosed above and in this document, each of our Supervisors has confirmed that he/she has no other relationship with any Directors, senior management, substantial shareholders or controlling shareholders of our Company and none of our Supervisors has held any other directorships in listed companies during the three years immediately preceding the date of this document.

Save as disclosed above, each of our Supervisors has confirmed that there are no other matters relating to his/her appointment as a Supervisor that need to be brought to the attention of our Shareholders and there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Zhang Xinming (張新明), aged [51], our founder, executive Director, chairman of our Board, general manager and president of our Company . For his biography, see "— Board of Directors — Executive Directors" in this section.

Dr. Fu Jie (付劼), aged [51], our executive Director and vice president of the Company. For his biography, see "— Board of Directors — Executive Directors" in this section.

Mr. Tang Haiwei (唐海威), aged [49], our executive Director and vice president of the Company. For his biography, see "— Board of Directors — Executive Directors" in this section.

Mr. Wang Xuhai (王緒海), aged [43], joined our Group in March 2020 and served as the deputy general manager of Jiangsu Xihong from March 2020 to December 2024. He has been serving as the vice president of our Company since December 17, 2024. He is mainly responsible for the sales and marketing management of our Group.

From July 2005 to July 2007, Mr. Wang served at Shenzhen Airport (Group) Co., Ltd. (深圳市機場(集團)有限公司). From September 2007 to September 2011, Mr. Wang served at Goldstate Securities Co., Ltd. (金元證券股份有限公司). From September 2011 to November 2012, Mr. Wang served at Huawei Technologies Co. Ltd. (華為技術有限公司). From November 2012 to December 2014, Mr. Wang worked at Qian Hai Life Insurance Co., Ltd. (前海人壽保險股份有限公司). From September 2015 to December 2019, Mr. Wang worked at Sinomune and its subsidiary, with his last positions as director of human resources and deputy general manager in charge of human resources development and marketing.

Mr. Wang obtained a bachelor's degree in business with human resource management from Renmin University of China (中國人民大學) in the PRC in July 2005 and a master's degree in business administration from Peking University (北京大學) in the PRC in July 2014.

Mr. Zhang Tianming (張天明), aged [49], joined our Group in November 2018 and served as the deputy general manager of Jiangsu Xihong from November 2018 to December 2024, the general manager of Jiangsu Xihong since January 2025, executive director and general manager of Jiangsu Hongjun since February 2024, and executive director and general manager of Suqian Yanmei since December 2023. He is mainly responsible for the daily operations of Jiangsu Xihong, Jiangsu Hongjun and Suqian Yanmei.

Mr. Zhang obtained a college degree in English at Huaiyin Normal University (淮陰師範學院) in the PRC in July 1998 and a bachelor's degree in laws from Nanjing Open University (江蘇廣播電視大學) in the PRC in October 2005. Mr. Zhang is qualified as China Manager (中國經理人) from Guanghua School of Management, Peking University (北京大學光華管理學院) in the PRC in October 2023.

Ms. He Wei (何偉), aged [46], joined our Group in July 2019 and has been serving as the R&D director in charge of R&D and quality control in Runmei Time since January 2023, deputy general manager of Runmei Time since January 2025. She is mainly responsible for R&D management in Runmei Time.

From February 2004 to November 2010, Ms. He served at Beijing Baiao, where she was primarily responsible for laboratory management and testing in certain pharmaceutical testing projects. From December 2010 to April 2013, Ms. He served at Beijing Hanmei Drugs Limited Company (北京韓美藥品有限公司), where she was primarily responsible for drug testing. From May 2013 to March 2015, Ms. He served at Beijing Yabao Pharmaceutical Co., Ltd. (北京亞寶生物藥業有限公司), where she was primarily responsible for product testing. From July 2015 to June 2019, Ms. He served at Beijing Jialin Pharmaceutical Co., Ltd. (北京嘉林藥業股份有限公司), where she was responsible for quality control.

Ms. He graduated with a bachelor's degree in bioengineering from Qiqihar University (齊齊哈爾大學) in the PRC in July 2003.

Mr. Xu Zengsong (徐增松), aged [42], joined our Group in February 2017 and served as director of production center of Jiangsu Xihong from February 2017 to December 2024, the deputy general manager of Jiangsu Xihong since January 2025. He is mainly responsible for the production management of Jiangsu Xihong.

From October 2005 to April 2007, Mr. Xu served at Jiangsu Zhongyi Pharmaceutical Co., Ltd. (江蘇中頤藥業有限公司), a company engaged in the development and registration of newly developed pharmaceutical products. From April 2007 to February 2009, Mr. Xu served as a quality control supervisor at Nanjing Cuccess Pharmaceutical Co., Ltd. (南京臣功製藥有限公司), a company engaged in the manufacturing of pharmaceutical products, where he was primarily responsible for the quality inspection and management of pharmaceutical products. From June 2009 to October 2016, Mr. Xu served as a production manager at Yangzhou Nuorui Drug Co., Ltd. (揚州諾瑞藥業有限公司), a company engaged in the manufacturing of pharmaceutical products, where he was primarily responsible for management of the manufacturing process.

Mr. Xu graduated from Nanjing University of Chinese Medicine (南京中醫藥大學) in the PRC in June 2005.

JOINT COMPANY SECRETARIES

Mr. Zhang Qiang (張強), aged [36], joined our Group in October 2024. He has served as the head of investment department since October 24, 2024, the Board secretary since December 17, 2024 and a joint company secretary since April 29, 2025. Mr. Zhang Qiang is mainly responsible for investment and financing management and legal affairs as head of investment department, and is mainly responsible for corporate governance as the Board secretary.

From July 2014 to February 2021, Mr. Zhang Qiang served as a senior trust manager at Sichuan Trust Co., Ltd. (四川信托有限公司), where he was primarily responsible for the development of government platform businesses, real estate investment and financing business and securities investment business. From March 2021 to November 2022, Mr. Zhang Qiang served as a post-investment management manager at Ping An Real Estate Co., Ltd. Chengdu Branch (平安不動產有限公司成都分公司), where he was primarily responsible for the development of real estate investment and financing business and factoring business as well as customer relationship management. From November 2022 to November 2023, Mr. Zhang Qiang served as the head of compliance and legal affairs in the risk control and compliance department of Chengdu Jiaotou Capital Management Co., Limited (成都交投資本管理有限責任公司), where he was primarily responsible for managing the legal compliance team, investment business and legal compliance matters. From December 2023 to October 2024, Mr. Zhang Qiang served as a deputy director of business at Zhejiang Zheshang Asset Management Co., Ltd West China Branch (浙江省浙商資產管理股份有限公司華西分公司), where he was primarily responsible for business development of investment banking and customer relationship management.

Mr. Zhang Qiang graduated with a bachelor's degree in law from Sichuan University (四川大學) in the PRC in June 2011 and a master's degree in law from Sichuan Academy of Social Sciences (四川省社會科學院) in the PRC in June 2014. Mr. Zhang passed the PRC judicial exam and received the qualification of legal profession (法律職業資格證) by Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in August 2011.

Ms. Suen Ka Yan (孫嘉恩) was appointed as our joint company secretary on April 29, 2025.

Ms. Suen is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited. She has over eight years of professional experience in the corporate secretarial field and has been providing corporate secretarial services to both listed and private companies incorporated in Hong Kong and overseas. Ms. Suen is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and holds a bachelor's degree in business administration.

BOARD COMMITTEES

Our Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

We [have] established the Audit Committee on [•] 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 as set out in Appendix C1 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of Ms. Zhang Xiaoyu, Mr. Cheng Hoo and Mr. Li Qian. Ms. Zhang Xiaoyu is the chairman of the Audit Committee. Ms. Zhang Xiaoyu 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 include, but not limited to (i) handling of the relationship with external auditors, including advising our Board on their appointment and removal, monitoring their audit process and developing the relevant policies; (ii) reviewing and providing advice on our financial information; (iii) overseeing our financial reporting system, risk management and internal control systems; (iv) performing our corporate governance functions; and (v) performing other duties and responsibilities as assigned by our Board and/or required by the relevant laws and regulations.

Remuneration Committee

We [have] established the Remuneration Committee on [•] 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. The Remuneration Committee consists of Mr. Cheng Hoo, Dr. Gong Tao and Dr. Jiang Fei. Mr. Cheng Hoo is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but not limited to (i) making recommendations to our Board on our policy and structure for remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) reviewing and approving the management team's remuneration proposals with reference to corporate goals and objectives; (iii) determining the remuneration packages of each executive Director and senior management; (iv) making recommendations to our Board on the remuneration of non-executive Directors; (v) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions for other employees of our Group; (vi) reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (vii) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; (viii) ensuring that no Director or any of his/her associates is involved in deciding that Director's own remuneration; (ix) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and (x) performing other duties and responsibilities as assigned by our Board and/or required by the relevant laws and regulations.

Nomination Committee

We [have] established the Nomination Committee on [•] 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. The Nomination Committee consists of Mr. Zhang Xinming, Dr. Gong Tao and Ms. Zhang Xiaoyu. Mr. Zhang Xinming is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to (i) reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (ii) identifying individuals suitably qualified to become Directors and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (iii) assessing the independence of independent non-executive Directors; (iv) making recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive;

(v) reviewing our board diversity policy, any measurable objectives for implementing such board diversity policy as may be adopted by our Board from time to time, and the progress on achieving the objectives and disclose the board diversity policy or its summary in the corporate governance report; (vi) proposing the resolutions to elect independent non-executive Director at the general meeting and setting out the selection processes and reasons in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting; (vii) performing our corporate governance functions; (viii) reviewing the implementation and effectiveness of our mechanism(s) to ensure independent views and opinions are available to our Board; (ix) reporting to our Board on decisions or recommendations, except where legal or regulatory restrictions prevent such reporting; and (x) performing other duties and responsibilities as assigned by our Board and/or required by the relevant laws and regulations.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board has a balanced mix of knowledge, skills and experience, including but not limited to pharmacy, economics, pharmaceutical research and experimental development, chemical engineering, financial management and practice of law. We have three independent non-executive Directors from different backgrounds, including financial management, pharmaceutical and legal fields. Furthermore, our Directors are of a wide range of age, from [43] years old to [63] years old.

With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. Our Board currently comprises one female Director and seven male Directors and expects to maintain the same gender mix in the Board upon **[REDACTED]**. 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.

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 CG Code and the associated Listing Rules after the **[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, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhang is currently the chairman and general manager (which is equivalent to chief executive) of our Company. In view of the fact that Mr. Zhang is our founder and has been assuming the responsibilities in the overall management, R&D and business strategy of our Group since our establishment, our Board believes that it is in the best interest of our Group to have Mr. Zhang 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.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and members of our senior management receive compensation from our Group in the form of fees, salaries and other benefits and contribution to pension scheme.

The aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions) paid or payable to our Directors and Supervisors for the two years ended December 31, 2024 was approximately RMB0.9 million and RMB2.6 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors or Supervisors for each of the two years ended December 31, 2024.

The aggregate amount of salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions paid or payable to our five highest paid individuals in respect of the two years ended December 31, 2024 was approximately RMB2.6 million and RMB5.0 million, respectively.

No remuneration was paid by us to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the two years ended December 31, 2024. Further, none of our Directors or Supervisors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions) of our Directors and Supervisors for the year ending December 31, 2025 is estimated to be no more than approximately RMB5.6 million.

Our Board will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management and will, following the **[REDACTED]**, receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

COMPETITION

Each of our Directors (other than our independent non-executive Directors) confirms that as of the Latest Practicable Date, he did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader pharmaceutical and healthcare industries. However, as these non-executive Directors are neither our Controlling Shareholders nor members of our executive management team, we believe that their interests in such companies asdirectors would not render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into employment contracts, confidentiality agreements and non-competition agreements with our senior management members and other key personnel. Below sets forth the key terms of these contracts we have entered into with our senior management and other key personnel.

Confidentiality

The employee shall keep in confidence and shall not disclose our trade secrets, until we or a third party in legal possession of the trade secret declares that it has been declassified or that the trade secret is actually in the public domain. If a part or individual element is disclosed and becomes public knowledge, but other parts or the whole of the information has not yet become public knowledge, the employee shall still fulfill the obligation of confidentiality for the undisclosed part of the information or trade secret.

Non-competition

Within two years from the date of the employee's departure (the "**Non-compete Period**"), without our prior written consent, the employee shall not, directly or indirectly, (i) accept or acquire any interest or position from our competitors; (ii) participate in the business of our competitors, including but not limited to, serving as their shareholder, dormant shareholder, partner, dormant partner, beneficiary, director, supervisor, manager, employee, consultant, agent or providing services of any kind to them; assist or cooperate with other person or business entities to carry out business that competes or may constitute competition with the business that we are engaged in or intend to engage in; (iii) invest directly or indirectly in our competitors in any way (whether in one's own name or in the name of another person), except where the competitor is a company listed on any stock exchange and the employee's shareholding does not exceed one thousandth of the voting shares; (iv) cause, assist or encourage any of our employees to take a position with or perform services of any kind for our competitors; (v) hinder or attempt to hinder our customers, business partners or any potential customers from doing business with us; (vi)

provide any of our former, existing and potential customers any products or services that compete with us; or (vii) engage in any business that competes with us or serves our competitors in any other way.

Invention for Hire

The rights and interests in any invention, discovery, utility model, design and technical solution, including but not limited to those: (i) produced by the employee during his/her employment or developed mainly using our resource; or (ii) produced by the employee within one year from the date of the employee's departure, mainly using the confidential information related to our main business known by virtue of his/her employment, shall belong to us, be assigned to us or licensed to us free of charge in perpetuity in accordance with our instructions. The invention for hire produced by the employee shall not infringe on the legal rights and interests of his/her former employers or other intellectual property rights holders.

Non-solicitation

The employee agrees that he/she shall not in any form, (i) solicit, induce, recruit or encourage any of our employees to leave our Group; and (ii) solicit our clients, after his/her termination of employment with our Group.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular and financial report;
- where a transaction, which might be notifiable or connected transaction under the Listing Rules, is contemplated including shares issues, sales or transfers of treasury shares and share repurchases;
- where our Company proposes to use the proceeds 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 our Company regarding unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the **[REDACTED]** and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date and immediately following the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**), Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei, by virtue of the Concert Party Agreement entered into among them and together with Ningbo Qianxi, will hold in aggregate approximately 46.27% and **[REDACTED]**% of our Company's total issued share capital, respectively. See "History, Development and Corporate Structure — Concert Party Arrangements" for details of the concert party arrangements. Ningbo Qianxi is a limited partnership established under the laws of the PRC with Mr. Zhang Xinming as its general partner. As such, Mr. Zhang Xinming is entitled to exercise the voting rights attaching to the Shares held by Ningbo Qianxi. Accordingly, Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei and Ningbo Qianxi constitute a group of Controlling Shareholders under the Listing Rules upon **[REDACTED]**.

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, 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 from 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. Save for (i) the three executive Directors, namely Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei, being members of the Controlling Shareholders; and (ii) Mr. Zhang Xinming serving as the general partner of Ninbo Qianxi, which is an investment holding company with no business activity, there is no overlap of directors and members of the senior management between our Company and our Controlling Shareholders and their respective close associates.

Despite the overlapping roles assumed by Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei as mentioned above, when performing their duties in our Company, Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei have been and will continue to be supported by the separate and independent board which comprises five other board members including three independent non-executive Directors. We believe that our Board as a whole is able to perform its roles in our Company independently and that our Company is capable of managing our business independently from the Controlling Shareholders and their respective close associates.

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 an actual or 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 abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Board comprises eight Directors, including three independent non-executive Directors, which represents more than one-third of the members of our Board. Our independent non-executive Directors have extensive experience in corporate management and governance, and they are appointed to ensure that our Board will only make decisions after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review.

We have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders that would support our independent management. For details, see "Corporate Governance Measures" in this section.

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 their respective close associates after the **[REDACTED]**.

Operational Independence

We have full rights to make all decisions on, and 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 platform, personnel and production facilities which are independent from our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, our R&D team consisted of 46 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. We have established an in-house manufacturing capability which seamlessly supports our R&D activities from laboratory-scale trial, clinical trial to commercial scale production. In addition, our Group owns over 40 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, independent supporting manufacturing capabilities and self-owned patents, our Directors believe that we have all the requisite resources to carry on our R&D process independently.

Access to suppliers and business partners

We have independent access to our suppliers as well as our business partners. Our suppliers and business partners bases are diversified and unrelated to our Controlling Shareholders and their respective close associates.

Operational facilities and administration

We have independent R&D platform, office and manufacturing facilities in Beijing and Suqian. 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, save as disclosed in "Directors, Supervisors and Senior Management" in this document, all of our full-time employees were independent from our Controlling Shareholders and their respective close associates and were primarily recruited through campus recruitment, headhunting and recruitment platforms.

Based on the reasons above, our Directors are of the view that 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]**.

Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. We also have our own internal control and accounting systems, accounting and finance department for discharging the treasury function, which all are independent from our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, our Group had outstanding bank borrowings which were guaranteed by, among others, Mr. Zhang Xinming and his spouse. The aforesaid personal guarantees will be fully released on or before **[REDACTED]**. For further details of guarantees provided by Mr. Zhang Xinming and his spouse during the Track Record Period, see Note 24 to the Accountant's Report as set out in Appendix I. We are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates and we received a series of **[REDACTED]** Investments from Independent Third Party investors. For details of the **[REDACTED]** Investments, see "History, Development and Corporate Structure — **[REDACTED]** Investments".

Based on the above, our Directors believe that we are able to conduct our business independently from our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence and would not place undue reliance on our Controlling Shareholders or their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it has fully comprehended his/its obligations to act in our Shareholders' best interests as a whole. Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) 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 associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with himself/herself or his/her close associates having material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest at the meeting of our Board, shall abstain from voting on such matters and not be counted in the quorum, unless the attendance or participation of such Director at such meeting of the Board is permitted under the Listing Rules;

(c) we are committed that our Board should include a balanced composition with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of 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, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see "Directors, Supervisors and Senior Management — Board of Directors — Independent non-executive Directors";

(d) we have appointed Altus Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, 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;

(e) our Company has established internal control mechanisms to identify connected transactions. Upon and after the **[REDACTED]**, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules; and

(f) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transaction 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.

Based on the above, our Directors believe that there are sufficient and adequate corporate governance measures in place to manage existing and potential conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect minority shareholders' interests after the **[REDACTED]**.

CONNECTED TRANSACTION

OVERVIEW

Prior to the **[REDACTED]**, we entered into certain transactions with parties who will, upon the **[REDACTED]**, become connected persons of the Company. Details of such continuing connected transaction of the Company following the **[REDACTED]** are set out below.

CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transaction upon **[REDACTED]**:

Connected Persons	Connected Relationship
Beijing Sun-Novo and its subsidiaries ("**Beijing Sun-Novo Group**")	Beijing Sun-Novo is controlled by Mr. Li Qian, our non-executive Director and thus an associate of our Director. Therefore, each member of Beijing Sun-Novo Group is a connected person of the Company upon **[REDACTED]**.

SUMMARY OF OUR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Nature of Transaction	Applicable Listing Rules	Connected Persons	Waiver sought
CRO Services Framework Agreement			
Procurement of CRO Services from Beijing Sun-Novo Group	Rule 14A.34 to 14A.36, Rule 14A.49, Rule 14A.51 to 14A.59 and Rule 14A.71	Beijing Sun-Novo and its subsidiaries	Requirements as to announcement, circular and independent shareholders' approval under Chapter 14A of the Listing Rules

CRO SERVICES FRAMEWORK AGREEMENT

Historically, our Group has entered into with Beijing Sun-Novo Group, several CRO service agreements in the ordinary and usual course of our business to procure CRO services including preclinical testing and residue analysis for our regenerative medicine material injectable product candidates. Upon **[REDACTED]**, we will continue to procure such CRO services from Beijing Sun-Novo Group.

Principal terms

Pursuant to the CRO services framework agreement entered into between our Company (for itself and on behalf of its subsidiaries) and Beijing Sun-Novo (for itself and on behalf of its subsidiaries) on [•], 2025 (the "**CRO Services Framework Agreement**"), our Group agreed to engage Beijing Sun-Novo Group to provide relevant CRO services including preclinical testing, residue analysis and animal tests evaluation for our regenerative medicine material injectable product candidates. The CRO Services Framework Agreement has a term commencing from [the **[REDACTED]** to [December 31, 2025].

Subject to the terms of the CRO Services Framework Agreement, the Group will enter into specific agreements with Beijing Sun-Novo and its subsidiaries to set out specific terms and conditions when necessary according to the principles and scope provided for under the CRO Services Framework Agreement.

Pricing policy

The service fees payable by us to Beijing Sun-Novo Group under the CRO Services Framework Agreement were determined taking in account the following factors: (i) the cost and expenses to be incurred in providing such services, which are calculated based on the size and scale of each clinical trial project, including but not limited to the number of clinical centers to be engaged with and the sample size required; (ii) the types and nature of the services, in particular, the expected complexity of the CRO services and duration of the clinical trial projects involved; (iii) the prevailing market price for CRO services of similar types and nature obtained through invited quotations from the list of suppliers maintained by our Company; and (iv) the expected commitment of resources required for providing the relevant CRO services.

Reasons for and benefits of the transactions

As the research and development of regenerative medicine materials requires significant resources, especially when a regenerative medicine material injectable product candidate under development enters the clinical trial stage, it is a common practice in the industry for the regenerative medicine material injectable product developer to engage CRO service providers to provide CRO services, including but not limited to preclinical testing, residue analysis, animal tests evaluation and other services. According to Frost & Sullivan, Beijing Sun-Novo is one of the major comprehensive preclinical and clinical research CRO service providers in drug development in the PRC. As a listed company on the Shanghai Stock Exchange (stock code: 688621), Beijing Sun-Novo maintains a high standard of corporate governance and has a well-established quality management system with skilled research professionals, which can ensure the standardization of

clinical trial design and the compliance of clinical process management, and enhance the success rate of registration and approval of our regenerative medicine material injectable product candidates.

Following the industry practice and based on our independent assessment and commercial judgements, and considering the overall commercial terms, the research and development capabilities and dedication proposed by Beijing Sun-Novo Group and its relevant industry knowledge and experience, we believe engaging Beijing Sun-Novo Group as our CRO service provider to provide the service contemplated under the CRO Services Framework Agreement is commercially beneficial to the business of our Group. In light of the above, we believe the transactions under the CRO Services Framework Agreement are in the interest of our Company and the Shareholders as a whole.

Historical transaction amounts

For the two years ended December 31, 2024, the service fees for procurement of CRO services paid by us to Beijing Sun-Novo Group were approximately RMB3.22 million and RMB7.38 million, respectively.

Annual cap

The proposed annual cap for the transaction amounts under the CRO Services Framework Agreement for the year ending December 31, 2025 is expected to be not more than RMB[10.0] million.

The proposed annual cap for the year ending December 31, 2025 has been determined in accordance with the pricing policy and primarily based on (i) the historical transaction amounts paid by our Group to Beijing Sun-Novo Group for the CRO services during the Track Record Period; (ii) the value of existing contracts and our anticipated demand of CRO services in 2025; (iii) a buffer for any unanticipated fluctuations of service fee due to changes in policies and regulatory requirements and hence the additional cost to be incurred by the CRO service provider.

Listing Rules implications

As our Company is eligible for **[REDACTED]** on the Stock Exchange under Chapter 18A of the Listing Rules as a pre-revenue biotech company, the revenue ratio under Rule 14.07 of the Listing Rules would not be an appropriate measurement of the size of relevant continuing connected transaction as set out in this section. Accordingly, we have applied a percentage ratio test based on the total expenses for R&D and administrative matters of our Group as an alternative size test.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the annual cap under the CRO Services Framework Agreement is expected to be more than 5% on an annual basis, the transactions contemplated under the CRO Services Framework Agreement constitute continuing connected transaction for our Company which will, upon **[REDACTED]**, be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

By virtue of Rule 14A.76(2) of the Listing Rules, the transactions contemplated under the CRO Services Framework Agreement will constitute non-exempt continuing connected transaction subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the above non-exempt continuing connected transaction is expected to continue on a recurring, continuing basis and will extend over a period of time, our Directors consider that compliance with the above announcement, circular and independent shareholders' approval requirements would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements in respect of the above non-exempt continuing connected transaction.

In addition, we confirm that our Company will comply at all time with the other applicable provisions under Chapter 14 and Chapter 14A of the Listing Rules in respect of the notifiable and non-exempt continuing connected transaction. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transaction referred to in this document, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM THE DIRECTORS

Our Directors, including the independent non-executive Directors, are of the view that the non-exempt continuing connected transaction as set out above has been and will be entered into: (i) in the ordinary and usual course of business of our Group; (ii) on normal commercial terms or better and in accordance with the respective terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and (iii) the proposed annual cap for the non-exempt continuing connected transaction described in this section are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

After due and careful enquiries, taking into account the information provided by our Company and Directors, the Sole Sponsor is of the view that (i) the continuing connected transactions described in "— CRO Services Framework Agreement" above in this section have been and will be entered in the ordinary and usual course of business of our Group and on normal commercial terms or better; (ii) the terms of the aforementioned continuing connected transactions are fair and reasonable and in the interests of our Group and Shareholders as a whole; and (iii) the proposed annual cap for each of the aforementioned continuing connected transactions are fair and reasonable and in the interests of our Group and Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately prior to and following the completion of the Share Subdivision, the **[REDACTED]** and conversion of **[REDACTED]** Shares into H Shares (without taking into account any H shares which may be issued pursuant to the exercise of the **[REDACTED]**), the following persons will 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 nominal value of any types of our issued voting shares of any member of our Group:

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date[1]			Shares held immediately following the completion of the Share Subdivision, the [REDACTED] and conversion of [REDACTED] Shares into H Shares[1] [3]			
		Type of Shares	Number	Percentage of shareholding in the relevant type of Shares	Type of Shares[2]	Number[3]	Percentage of shareholding in the relevant type of Shares	Percentage of shareholding in the total issued share capital
Mr. Zhang Xinming. . . .	Beneficial owner	[REDACTED] Shares	17,171,400 (L)	22.34%	[REDACTED] Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
					H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
	Interest held jointly with another person[4]	[REDACTED] Shares	13,966,200 (L)	18.17%	[REDACTED] Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
					H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
	Interest in controlled corporations[5]	[REDACTED] Shares	4,420,000 (L)	5.75%	[REDACTED] Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
					H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Dr. Fu Jie	Beneficial owner	[REDACTED] Shares	8,317,000 (L)	10.82%	[REDACTED] Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
					H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
	Interest held jointly with another person[4]	[REDACTED] Shares	22,820,600 (L)	29.70%	[REDACTED] Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
					H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Mr. Tang Haiwei .	Beneficial owner	[REDACTED] Shares	5,649,200 (L)	7.35%	[REDACTED] Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
					H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
	Interest held jointly with another person[4]	[REDACTED] Shares	25,488,400 (L)	33.17%	[REDACTED] Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
					H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Beijing Sun-Novo .	Beneficial owner	[REDACTED] Shares	8,823,600 (L)	11.48%	[REDACTED] Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
					H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Kangzhe VC . . .	Beneficial owner	[REDACTED] Shares	5,967,216 (L)	7.76%	H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Ningbo Qianxi . .	Beneficial owner[5]	[REDACTED] Shares	4,420,000 (L)	5.75%	[REDACTED] Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
					H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Suzhou Jiahong . .	Beneficial owner	[REDACTED] Shares	4,411,800 (L)	5.74%	H Shares	[REDACTED] (L)	[REDACTED]%	[REDACTED]%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) For the avoidance of doubt, both **[REDACTED]** Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

(3) The number of Shares is presented based on the assumption that the Share Subdivision is completed. The calculation is based on the total number of **[REDACTED] [REDACTED]** Shares in issue, **[REDACTED]** H Shares to be converted from **[REDACTED]** Shares in issue and **[REDACTED]** H Shares to be **[REDACTED]** pursuant to the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised).

(4) Pursuant to the Concert Party Agreement, Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei had consulted and would consult with each other and reach a unanimous consensus among themselves on the subject matters of any shareholders' resolutions of our Company to be passed pursuant to applicable constitutional documents or applicable laws and regulations during the acting in concert period. In the event that they are unable to reach consensus on any matter presented, the matter shall be decided by the individual who holds more Shares at the relevant time. For details of the Concert Party Agreement, see "History, Development and Corporate Structure — Concert Party Arrangements". By virtue of the SFO, each of Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei are deemed to be interested in the Shares directly held by each other.

(5) The general partner of Ningbo Qianxi is Mr. Zhang Xinming. By virtue of the SFO, Mr. Zhang Xinming is deemed to be interested in the Shares held by Ningbo Qianxi.

Except as disclosed above, our Directors are not aware of any person will, immediately prior to and following the completion of the Share Subdivision, the **[REDACTED]** and conversion of **[REDACTED]** Shares into H Shares (without taking into account any H shares which may be issued pursuant to the exercise of the **[REDACTED]**), 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 nominal value of any types of our 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.

This section presents certain information regarding our share capital before and upon completion of the **[REDACTED]**.

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB76,849,104 divided into 76,849,104 Shares, with a nominal value of RMB1.00 each.

UPON COMPLETION OF THE [REDACTED]

Immediately after the completion of the Share Subdivision, the **[REDACTED]** and conversion of **[REDACTED]** Shares into H Shares, assuming the **[REDACTED]** is not exercised, the share capital of our Company will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total issued share capital
[REDACTED]	**[REDACTED]** Shares	**[REDACTED]**%
[REDACTED]	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**%
[REDACTED]	H Shares to be **[REDACTED]** under the **[REDACTED]**	**[REDACTED]**%
[REDACTED]		100.00%

Immediately following completion of the Share Subdivision, the **[REDACTED]** and the conversion of **[REDACTED]** into H Shares, assuming the **[REDACTED]** is fully exercised, the share capital of our Company will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total issued share capital
[REDACTED]	**[REDACTED]** Shares	**[REDACTED]**%
[REDACTED]	H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**%
[REDACTED]	H Shares to be **[REDACTED]** under the **[REDACTED]**	**[REDACTED]**%
[REDACTED]		100.00%

The above table assumes that the **[REDACTED]** has become unconditional and the H Shares are **[REDACTED]** pursuant to the **[REDACTED]**.

The conversion of **[REDACTED]** Shares into H Shares will involve an aggregate of **[REDACTED]** **[REDACTED]** Shares (being **[REDACTED]** Shares of the Company with par value of RMB1.00 before the completion of the Share Subdivision) held by all 23 existing Shareholders, representing approximately **[REDACTED]**% of total issued Shares of the Company as of the Latest Practicable Date and approximately **[REDACTED]**% of total issued Shares of the Company upon completion of the Share Subdivision, the **[REDACTED]** and conversion of **[REDACTED]** Shares into H Shares (assuming the **[REDACTED]** is not exercised). Set out below are the number of Shares held by our existing Shareholders and their respective shareholding upon completion of the Share Subdivision, the **[REDACTED]** and conversion of **[REDACTED]** Shares into H Shares (assuming the **[REDACTED]** is not exercised).

		Shares immediately after the Share Subdivision, the [REDACTED] and conversion of [REDACTED] Shares into H Shares (assuming the [REDACTED] is not exercised)			
Shareholders	**[REDACTED] Shares to be converted into H Shares**	**H Shares**	**Approximate Percentage of total issued share capital**	**[REDACTED] Shares**	**Approximate Percentage of total issued share capital**
Mr. Zhang Xinming	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Beijing Sun-Novo	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Dr. Fu Jie	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Mr. Tang Haiwei	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Ningbo Qianxi	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Suzhou Jiahong	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Kangzhe VC	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Mr. Zhao Rongji	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Mr. Wang Xuhai	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Mr. Liu Xiaodong	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Shenzhen Innovation Capital	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Mr. Li Yonglin	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Mr. Wang Zhenguo	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Changzhou High-tech Investment	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Chengdu Jiaozi Investment	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Mr. Wang Hongguang	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Mr. Ji Lei	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Ningbo Qianhui	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Ms. Wang Haitao	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**
Mr. Wu Shumin	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**%	**[REDACTED]**	**[REDACTED]**

		Shares immediately after the Share Subdivision, the [REDACTED] and conversion of [REDACTED] Shares into H Shares (assuming the [REDACTED] is not exercised)			
Shareholders	[REDACTED] Shares to be converted into H Shares	H Shares	Approximate Percentage of total issued share capital	[REDACTED] Shares	Approximate Percentage of total issued share capital
Ms. Zhang Ping	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Mr. Tan Jianxiong.	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Shenzhen Gaoyuan	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]

RANKING

Upon the completion of the Share Subdivision, the **[REDACTED]** and conversion of **[REDACTED]** Shares into H Shares, our Shares will consist of **[REDACTED]** Shares and H Shares. **[REDACTED]** Shares and H Shares are all ordinary Shares in the share capital of our Company and are regarded as the same class of Shares under the Articles of Association.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the **[REDACTED]** Shares held by whom will be converted into H Shares according to the filing with the CSRC), H Shares generally cannot be subscribed by or traded between legal or natural PRC persons.

[REDACTED] Shares and H Shares shall carry the same rights in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividend for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for **[REDACTED]** Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares or a combination of cash and shares.

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 carry the same rights in all respects with the other Shares.

For details of circumstances under which our Shareholders' general meetings are required, see "Appendix VI — Summary of Articles of Association".

CONVERSION OF OUR [REDACTED] SHARES INTO H SHARES

Pursuant to the regulations prescribed by the securities regulatory authorities of the State Council and the Articles of Association, the holders of **[REDACTED]** Shares may, at their own discretion, authorize the Company to file with the CSRC for conversion of their **[REDACTED]** Shares into **[REDACTED]** Shares. Such converted Shares could be listed or traded as H Shares on the Stock Exchange, provided that prior to the conversion and trading of such H Shares, any requisite internal approval process has been duly completed and all the filling procedures with the relevant regulatory authorities, including CSRC which requires administrative filing procedures for the conversion and trading of such converted Shares, have been consummated. In addition, such conversion and trading shall comply with the regulations, requirements and procedures prescribed by the Stock Exchange.

Filing with the CSRC and Full Circulation Application

In accordance with the Overseas Listing Trial Measures and related guidelines announced by the CSRC, H-share listed companies which apply for the conversion of unlisted shares into H shares for listing and circulation on the Stock Exchange shall file the application with the CSRC according to the administrative filing procedures necessary for the Overseas Listing Trial Measures. An H-share listed company may apply for a "Full Circulation" separately or when applying for refinancing overseas. An unlisted domestic joint stock company may apply for "Full Circulation" when applying for an overseas initial public offering.

We [have filed] with the CSRC for the conversion of **[REDACTED]** Shares into H Shares in respect of the filing of the **[REDACTED]** and "Full Circulation", pursuant to which (i) our Company is supposed to issue no more than **[REDACTED]** H Shares (including any H Shares which may be issued pursuant to the exercise of the **[REDACTED]**) with a nominal value of RMB[0.50] each, which are all ordinary Shares, and upon such issuance our Company may be listed on the Main Board of the Stock Exchange; (ii) a total of **[REDACTED] [REDACTED]** Shares (with a nominal value of RMB[0.50] each) held by Mr. Zhang Xinming, Dr. Fu Jie, Mr. Tang Haiwei, Ningbo Qianxi, Ningbo Qianhui, Beijing Sun-Novo, Suzhou Jiahong, Kangzhe VC, Mr. ZhaoRongji, Mr. Wang Xuhai, Mr. Liu Xiaodong, Shenzhen Innovation Capital, Mr. Li

Yonglin, Mr. Wang Zhenguo, Changzhou High-tech Investment, Chengdu Jiaozi Investment, Mr. Wang Hongguang, Mr. Ji Lei, Ms. Wang Haitao, Mr. Wu Shumin, Ms. Zhang Ping, Mr. Tan Jianxiong and Shenzhen Gaoyuan (the "**Participating Shareholders**") are supposed to be converted into H Shares on a one-for-one basis after the **[REDACTED]**, and the relevant H Shares may be listed on the Stock Exchange upon completion of the conversion.

[REDACTED] Approval by the Stock Exchange

We [have applied] to the Stock Exchange for the approval for the granting of **[REDACTED]** of, and **[REDACTED]**, our H Shares to be **[REDACTED]** pursuant to the **[REDACTED]** (including any H Shares which may be issued pursuant to the exercise of the **[REDACTED]**) and the H Shares to be converted from **[REDACTED] [REDACTED]** Shares on the Stock Exchange, which is subject to the approval by the Stock Exchange. We will perform the following procedures for the conversion of **[REDACTED]** Shares into H Shares after receiving the approval of the Stock Exchange: (a) giving instructions to our **[REDACTED]** regarding relevant share certificates of the converted H Shares; and (b) enabling the converted H Shares to be accepted as eligible securities by **[REDACTED]** for deposit, clearance and settlement in the **[REDACTED]**. The Participating Shareholders (as defined below) may only **[REDACTED]** the Shares upon completion of following domestic procedures.

TRANSFER OF SHARES ISSUED PRIOR TO [REDACTED]

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the **[REDACTED]** shall be subject to such statutory restriction and not be transferred within a period of one year from the **[REDACTED]**.

Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons hold in our Company cannot be transferred within one year from the **[REDACTED]**, nor within half a year after they leave their positions as Directors, Supervisors or members of the senior management in our Company.

For details of the lock-up undertaking given by our Controlling Shareholders to the Stock Exchange, see "**[REDACTED]**".

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisors, pursuant to the Articles of Association and subject to the requirements of relevant PRC laws and regulations, our Company, upon the **[REDACTED]** of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new **[REDACTED]** Shares on the condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution. See "—Ranking" in this section.

REGISTRATION OF SHARES NOT [REDACTED] ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not **[REDACTED]** on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) within 15 business days upon the **[REDACTED]** and provide a written report to the CSRC regarding the centralized registration and deposit of its unlisted Shares as well as the current **[REDACTED]** and **[REDACTED]** of shares.

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for the Company to **[REDACTED]** H Shares and seek the **[REDACTED]** of H Shares on the Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting held on May 6, 2025.

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this document may be due to rounding.

OVERVIEW

We are a healthcare company engaged primarily in the R&D, manufacturing, and commercialization of regenerative medicine medical devices and foods for special medical purposes (FSMPs) established in 2016. We focus on the development, transformation, and application of regenerative medicine materials, and the R&D of FSMPs, in particular specific nutritionally complete formula foods. Regenerative medicine medical devices are designed to restore, replace, or regenerate cells, tissues, or organs for disease treatment or alleviation, often incorporating biomaterials and tissue engineering techniques, aimed at promoting tissue regeneration and repair.

As of the Latest Practicable Date, we had 13 major regenerative medicine material injectable product candidates which are all regulated as Class III medical devices, including XH301, our Core Product, and XH321, a product candidate with an indication for treating female stress urinary incontinence, among which two product candidates had entered the registration review stage. In our product line of regenerative medicine material-based medical dressings and patches, we have seven products which had obtained Class II medical device registration approval, and one cross-linked ECM product candidate, XH322, with an indication for treating post-mastectomy breast reconstruction at a preclinical stage. Our FSMP product pipeline included two products approved by the SAMR and seven product candidates under development, as of the same date.

During the Track Record Period, we generated limited revenue from commercial sales of our non-Core Products including regenerative medicine material medical dressings and patches, FSMPs and other products and were loss-making during the Track Record Period. In 2023 and 2024, our revenue amounted to RMB12.9 million and RMB14.5 million, respectively, and we incurred net losses of RMB63.5 million and RMB69.4 million, respectively. Substantially all of our net losses resulted from research and development expenses, selling and distribution expenses and administrative expenses.

While costs are expected to rise as we continue to advance our R&D efforts and strengthen manufacturing and commercialization capabilities, we are anticipating revenue streams evolve from the commercialization of our Core Product, XH301, in the near future, alongside with the progressing of the commercialization arrangements to license out our products to well-recognized market players. We expect the expanding revenue streams will set stage for a steady approach towards profitability in the foreseeable future.

BASIS OF PRESENTATION

Our Company is a joint stock company with limited liability incorporated in Chengdu, the PRC on May 23, 2023. Pursuant to the Reorganization as detailed in "History and Development — Reorganization", our Company became the holding company of the companies now comprising the Group on December 9, 2024. The companies now comprising our Group were under common control of the controlling shareholders before and after the Reorganization. The Reorganization has not resulted in any changes of economic substances of the businesses of our Group. Accordingly, the Historical Financial Information for the Track Record Period has been presented as a continuation of our Company and our subsidiaries by applying the pooling of interest method as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of our Group as of December 31, 2023 and 2024 have been prepared to present the assets and liabilities of our subsidiaries or businesses using the existing book values. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Our consolidated 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**"). Our management concluded, on a preliminary basis, that the adoption of new and amended standards is not expected to have a significant impact on our Group in the current or future reporting periods and on foreseeable future transactions. Our consolidated financial information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value.

The preparation of our consolidated financial information in conformity with IFRS requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in Note 3 of the Accountants' Report in Appendix I.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are beyond our control, including the following:

Our Ability to Develop and Commercialize our Product Candidates

Our business and results of operations are dependent on our ability to successfully obtain necessary regulatory approvals and commercialize our product candidates establish manufacturing capabilities and sales channels, and undertake extensive sales and marketing activities. As of the Latest Practicable Date, we had 13 major regenerative medicine material injectable product candidates which are all regulated as Class III medical devices, including XH301, our Core Product, and XH321, a product candidate with an indication for treating female stress urinary incontinence, among which two product candidates had entered the registration review stage. In our product line of regenerative medicine material-based medical dressings and patches, we have seven products which had obtained Class II medical device registration approval, and one cross-linked ECM product candidate, XH322, with an indication for treating post-mastectomy breast reconstruction at a preclinical stage. Our FSMP product pipeline included two products approved by the NMPA and seven product candidates under development, as of the same date. We generated revenue from commercialized products of RMB12.9 million and RMB14.5 million in 2023 and 2024, respectively. For more details, see "Business". If our product candidates fail to achieve the degree of market acceptance that we anticipate, we may not be able to generate revenue as expected.

Our Cost Structure

Our results of operations are significantly affected by our cost structure, particularly research and development costs.

R&D capabilities is the backbone of our business and key driver of our growth. During the Track Record Period, our research and development costs primarily consisted of clinical trial expenses, staff costs, cost of materials and utilities, depreciation and amortization and clinical trial consumables. In 2023 and 2024, our research and development costs amounted to RMB45.7 million and RMB45.0 million, respectively. We expect our cost structure to evolve as we continue to develop and expand our business.

As the clinical trials of our product candidates advance and as we continue to enrich our pipeline products, we expect to incur additional research and development costs in relation to preclinical studies and clinical trials, headcount expansion for our research and development team and production line expansion, among other things. Moreover, once our product candidates receive marketing approvals and are commercialized, we are expected to dedicate our resources to sales and marketing. We may recruit sales and marketing personnel, conduct sales and marketing promotion activities, and cooperate with third-party marketing service providers. Additionally, we anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through capital contributions by our shareholders, loans and revenue generated from our commercialized product candidates, we expect to fund our operations in part with revenue generated from sales of our products. However, with the continuing expansion of our business, we may require further funding through public or private offerings, debt financing, or other sources. Any fluctuation in the funding for our operations will impact our cash flow plan and our results of operations.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and estimates which are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation with regard to the procedures and methods used by our management in making accounting estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. When reviewing our consolidated financial statements, you should consider (i) our material accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report set out in Appendix I to this document.

Revenue Recognition

Revenue from Contracts with Customers

We recognize revenue from contracts with customers when control of goods or services is transferred to our customers at an amount that reflects the consideration to which our 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 we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of Medical-Related Products

We recognize revenue from the sale of medical-related products at the point in time when control of the asset is transferred to our customer, generally on acceptance of the medical-related products.

Provision of Medical R&D and Consulting Services

We recognize revenue from research and development service performance obligations as collaboration revenue at the point in time when the research and development services are rendered to our customers.

Research and Development Costs

We charge all our research costs to profit or loss as incurred.

We capitalize and defer expenditure incurred on projects to develop new products when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the 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.

We charge all development costs to profit or loss as incurred during the Track Record Period.

PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Year ended December 31,	
	2023	2024
	(RMB in thousands)	
Revenue	**12,882**	**14,520**
Cost of sales	(11,415)	(14,141)
Gross profit	**1,467**	**379**
Other income and gains	660	2,277
Selling and distribution expenses	(10,346)	(9,149)
Research and development costs	(45,726)	(44,950)
Administrative expenses	(7,625)	(16,239)
Impairment losses on financial assets	(557)	(67)
Other expenses	(121)	(65)
Finance costs	(1,253)	(1,584)
Loss before tax	(63,501)	(69,398)
Income tax credit	—	15
Loss and comprehensive loss for the year	(63,501)	(69,383)
Loss and total comprehensive loss attributable to:		
Owners of the parent	(63,501)	(69,383)
Non-controlling interests	—	—
	(63,501)	(69,383)

Revenue

During the Track Record Period, we had not commercialized our Core Product. Our revenue generated during the Track Record Period was primarily from sales of regenerative medicine material medical dressings and patches, FSMPs and other products. We also generated revenue from provision of medical R&D and consulting services, which generally included medical R&D, consulting, testing, marketing and training services in relation to the development of medical device products from time-to-time on a project basis.

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

	Year ended December 31,			
	2023		2024	
	Amount	% of total	Amount	% of total
	(RMB in thousands except for percentages)			
Sales of medical-related products				
— Regenerative medicine material medical dressings and patches	3,598	27.9	3,616	24.9
— FSMPs	1,197	9.3	1,772	12.2
— Other products[(1)]	5,172	40.2	7,551	52.0
Sub-total	9,967	77.4	12,939	89.1
Provision of medical R&D and consulting services	2,915	22.6	1,581	10.9
Total	**12,882**	**100.0**	**14,520**	**100.0**

Note:

(1) Primarily included pharmaceutical intermediates, facial masks, other medical devices and other food products.

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of costs related to the sales of our medical-related products. Our cost of sales consisted of (i) direct labor costs mainly relate to wages, salaries, bonuses and various other employee benefits paid to our personnel involved in production activities; (ii) cost of materials and utilities, mainly related to cost of raw materials, water and electricity consumed in our production; (iii) depreciation and amortization charges for production facilities and patents and licenses; and (iv) other costs, which primarily included testing fees, repair expenses and other production costs.

The following table sets forth a breakdown of our cost of sales by nature, both in absolute amount and as a percentage of total cost of sales, for the periods indicated:

	Year ended December 31,			
	2023		2024	
	Amount	% of total	Amount	% of total
	(RMB in thousands except for percentages)			
Direct labor costs	4,195	36.7	5,877	41.6
Cost of materials and utilities	3,962	34.7	4,781	33.8
Depreciation and amortization	2,867	25.1	2,972	21.0
Others	391	3.5	511	3.6
Total	**11,415**	**100.0**	**14,141**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit was RMB1.5 million and RMB0.4 million in 2023 and 2024, respectively, while our gross profit margin was 11.4% and 2.6% in 2023 and 2024, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin for the periods indicated:

	Year ended December 31,			
	2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands except for percentages)			
Sales of medical-related products	(1,313)	(13.2%)	(1,135)	(8.8%)
Provision of medical R&D and consulting services	2,780	95.4%	1,514	96.1%
Total	**1,467**	**11.4%**	**379**	**2.6%**

Other Income and Gains

Our other income and gains consisted of (i) government grants; (ii) bank interest income; and (iii) investment income from financial assets at fair value through profit or loss ("**FVTPL**"), which were mainly wealth management products we purchased from commercial banks in Mainland China. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,	
	2023	2024
	(RMB in thousands)	
Other income		
Government grants	563	1,585
Bank interest income	97	179
Gains		
Investment income from financial assets at FVTPL	—	513
Total	**660**	**2,277**

During the Track Record Period, our government grants included a one-off subsidy from the PRC government which was regional equity financing reward support for private companies, the incentive and other subsidies for research and development activities and industry development.

Selling and Distribution Expenses

Our selling and distribution expenses comprised (i) staff costs, mainly relate to wages, salaries, bonuses and various other employee benefits paid to our personnel involved in selling and distribution activities; (ii) marketing expenses; (iii) traveling expenses; and (iv) other selling and distribution expenses, mainly consisting of rental expenses for office premises, depreciation and amortization and other miscellaneous selling expenses. The following table sets forth a breakdown of our selling and distribution expenses, both in absolute amount and as a percentage of total selling and distribution expenses, for the periods indicated:

	Year ended December 31,			
	2023		2024	
	Amount	% of total	Amount	% of total
	(RMB in thousands except for percentages)			
Staff costs	6,040	58.4	6,100	66.7
Marketing expenses	1,872	18.1	1,169	12.8
Traveling expenses	1,302	12.6	872	9.5
Others	1,132	10.9	1,008	11.0
Total	**10,346**	**100.0**	**9,149**	**100.0**

In 2023 and 2024, our selling and distribution expenses were RMB10.3 million and RMB9.1 million, respectively, representing 80.3% and 63.0% of our total revenue during the same periods, respectively. The decrease in selling and distribution expenses as a percentage of total revenue was attributable to a decrease in marketing expenses and traveling expenses as we optimized our marketing investments and business travel expenses for greater efficiency.

Research and Development Costs

Our research and development costs comprised (i) clinical trial expenses; (ii) staff costs; (iii) cost of materials and utilities; (iv) depreciation and amortization; (v) clinical trial consumables, representing reagents and other consumables we used for clinical trial purposes; and (vi) others, primarily including technical service fees, testing and certification expenses, registration fees and other miscellaneous costs incurred for our R&D activities. The following table sets forth a breakdown of our research and development costs, both in absolute amount and as a percentage of total research and redevelopment costs, for the periods indicated:

	Year ended December 31,			
	2023		2024	
	Amount	% of total	Amount	% of total
	(RMB in thousands except for percentages)			
Clinical trial expenses	20,505	44.8	19,239	42.8
Staff costs	7,853	17.2	10,321	23.0
Cost of materials and utilities	7,273	15.9	7,171	16.0
Depreciation and amortization	1,232	2.7	1,700	3.8
Clinical trial consumables	3,183	7.0	1,157	2.6
Others	5,680	12.4	5,362	11.8
Total	**45,726**	**100.0**	**44,950**	**100.0**

In 2023 and 2024, our research and development costs were RMB45.7 million and RMB45.0 million, respectively.

Our research and development costs attributable to our Core Product were RMB5.6 million and RMB7.0 million, in 2023 and 2024, respectively, accounting for 8.8% and 10.0% of our total operating expenses (i.e. research and development costs, selling and distribution expenses and administrative expenses) in the respective period.

Administrative Expenses

Our administrative expenses comprised (i) staff costs mainly relating to salaries, bonus and other welfare for our administrative personnel; (ii) office expenses, primarily related to office expenditure for administrative purposes; (iii) depreciation and amortization; (iv) **[REDACTED]** expenses; (v) professional fees mainly in relation to employee recruitment and certification expenses; (vi) other taxes; (vii) traveling expenses; and (viii) other administrative expenses. The following table sets forth a breakdown of our administrative expenses, both in absolute amount and as a percentage of total administrative expenses for the periods indicated:

	Year ended December 31,			
	2023		2024	
	Amount	% of total	Amount	% of total
	(RMB in thousands except for percentages)			
Staff costs	2,833	37.2	5,631	34.7
Office expenses	1,852	24.3	3,427	21.1
Depreciation and amortization	659	8.6	2,013	12.4
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Professional fees	1,219	16.0	1,545	9.5
Other taxes	381	5.0	578	3.6
Traveling expenses	318	4.2	559	3.4
Others	363	4.8	688	4.2
Total	**7,625**	**100.0**	**16,239**	**100.0**

In 2023 and 2024, administrative expenses were RMB7.6 million and RMB16.2 million, respectively, representing 59.2% and 111.8% of our total revenue during the same periods, respectively.

Impairment Losses on Financial Assets

Our net impairment losses on financial assets primarily arose from trade receivables. Our net impairment losses on financial assets were RMB0.6 million and RMB67,000 in 2023 and 2024, respectively.

Other Expenses

Our other expenses primarily consisted of (i) loss on disposal of property, plant and equipment; and (ii) penalty for early termination of a lease of our office premise, which was one-off in nature. In 2023 and 2024, our other expenses were RMB0.1 million and RMB65,000, respectively.

Finance Costs

Our finance costs primarily consisted of (i) interest on bank loans; (ii) interest on lease liabilities; and (iii) others, representing the guarantee fees we paid in respect of guarantees provided by certain independent financing guarantee companies. See "— Indebtedness — Interest-bearing Bank Borrowings" for details. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,	
	2023	2024
	(RMB in thousands)	
Interest on bank loans	1,091	1,572
Interest on lease liabilities	84	209
Others	100	53
Less: interest capitalized	(22)	(250)
Total	**1,253**	**1,584**

Income Tax

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate. During the Track Record Period, we did not incur any current income tax and recorded deferred tax of RMB15,000 arising from lease liabilities in 2024. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had made all required tax filings, had paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

The following sets forth our principal applicable taxes and tax rates:

PRC

Our income tax provision in respect of our operations in the PRC was subject to statutory tax rate of 25% on the estimated tax assessable profits for the Track Record Period determined in accordance with the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), except for certain subsidiaries that were entitled to reduced preferential CIT rate listed as below.

Jiangsu Xihong and Runmei Time were approved as high technology enterprise under the relevant tax rules and regulations in November 2022, December 2022, respectively, and accordingly, are entitled to a reduced preferential CIT rate of 15% from 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

According to the Announcement of the State Administration of Taxation on Issues Relating to Implementation of Inclusive Income Tax Relief Policy for Small Low-profit Enterprises (Cai Shui [2019] No. 13), for the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million, the taxable income amount is reduced at a rate of 25%, and it is subject to enterprise income tax at a 20% tax rate; for the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million, the taxable income amount is reduced at a rate of 50%, and it is subject to enterprise income tax at a 20% tax rate. During the Track Record Period, our Company, Suqian Yanmei and Jiangsu Hongjun, were qualified as small and micro enterprises, enjoying 20% Corporate Income Tax rate on 25% of the taxable income amount for the proportion of taxable income not exceeding RMB3 million.

In 2023 and 2024, no provision for Mainland China income tax pursuant to the CIT Law has been made as our subsidiaries operating in Mainland China were in loss position and have no estimated taxable profits.

RESULTS OF OPERATIONS

Comparisons between 2024 and 2023

Revenue

Revenue increased by 12.7% from RMB12.9 million in 2023 to RMB14.5 million in 2024, primarily attributable to an increase in revenue from sales of medical-related products, partially offset by a decrease in revenue from provision of medical R&D and consulting services.

Revenue from sales of medical-related products increased by 29.8% from RMB10.0 million in 2023 to RMB12.9 million in 2024, mainly due to the improvement in sales of other products as we sold more pharmaceutical intermediates, facial masks, other medical devices and other food products.

Revenue from provision of medical R&D and consulting services decreased by 45.8% from RMB2.9 million in 2023 to RMB1.6 million in 2024. During the Track Record Period, we principally generated revenue from provision of medical R&D, consulting, testing, marketing and training services for development of a medical dressing classified as type II medical devices to a customer.

Cost of Sales

Our cost of sales increased by 23.9% from RMB11.4 million in 2023 to RMB14.1 million in 2024, primarily attributable to an increase in direct labor costs driven by the increase in our production headcount and salary increment.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased significantly from RMB1.5 million in 2023 to RMB0.4 million in 2024. Our gross profit margin decreased from 11.4% in 2023 to 2.6% in 2024, primarily due to a decrease in proportion of revenue generated from provision of medical R&D and consulting services in 2024.

Our gross loss margin from sales of medical-related products was 13.2% and 8.8% in 2023 and 2024, respectively. The gross loss margin incurred was mainly attributable to (i) us principally focusing our efforts on clinical trials and R&D and had yet invested significant resources on sales and marketing. Accordingly, only a limited amount of revenue was generated from the sales of our

non-Core products and other products; and (ii) we were in the process of recruiting workforce and expanding our manufacturing capacity for our long-term development. We expect our gross profit margin to improve gradually as we approach to commercialization of our Core Product.

Other Income and Gains

Other income and gains increased from RMB0.7 million in 2023 to RMB2.3 million in 2024, primarily attributable to (i) an increase in government grants as we received a one-off subsidy in relation to equity financing for private companies in 2024; and (ii) the recognition of investment income from financial assets at FVTPL, which were the structured deposits and wealth management products we purchased from reputable bank for capital management.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 11.6% from RMB10.3 million in 2023 to RMB9.1 million in 2024, primarily due to a decrease in marketing expenses and traveling expenses as we as we optimized our marketing investments and business travel expenses for greater efficiency.

Research and Development Costs

Our research and development costs remained stable at RMB45.7 million and RMB45.0 million in 2023 and 2024, respectively.

Administrative Expenses

Our administrative expenses increased significantly from RMB7.6 million in 2023 to RMB16.2 million in 2024, primarily due to (i) an increase in staff costs driven by increase in headcount and salary increment; (ii) an increase in **[REDACTED]** expenses related to professional fees incurred for the **[REDACTED]**; (iii) an increase in office expenses as our operations expanded; and (iv) an increase in depreciation and amortization as part of our manufacturing facilities in Jiangsu under construction was completed during the year.

Impairment Losses on Financial Assets

Our net impairment losses on financial assets primarily arose from trade receivables and were RMB0.6 million and RMB67,000 in 2023 and 2024, respectively.

Other Expenses

Our other expenses decreased by 46.3% from RMB0.1 million in 2023 to RMB65,000 in 2024, primarily due to an one-off penalty for early termination of a lease of our office premise amounting to RMB0.1 million recorded in 2023. No such expense was recognized in 2024.

Finance Costs

Our finance costs increased by 26.4% from RMB1.3 million in 2023 to RMB1.6 million in 2024, primarily due to an increase in interest on bank borrowings as a result of increasing financing activities.

Income Tax

We did not incur any income tax expenses in both 2023 and 2024 as we did not generate any assessable profits. In 2024, we recorded income tax credit of RMB15,000, in relation to the deferred tax arising from lease liabilities.

Loss for the Year

As a result of the foregoing, our loss for the year increased from RMB63.5 million in 2023 to RMB69.4 million in 2024. Substantially all of our net losses resulted from research and development expenses, selling and distribution expenses and administrative expenses.

DESCRIPTION OF CERTAIN COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Non-current assets		
Property, plant and equipment	77,874	91,818
Right-of-use assets	8,157	12,703
Intangible assets	618	914
Prepayments, other receivables and other assets	6,811	3,825
Total non-current assets	93,460	109,260
Current assets		
Inventories	6,949	6,680
Trade receivables	256	249
Prepayments, other receivables and other assets	4,036	6,051
Financial assets at fair value through profit or loss	16,000	—
Restricted bank deposits	10,800	3,290
Cash and cash equivalents	17,414	33,197
Total current assets	55,455	49,467
Current liabilities		
Trade payables	636	570
Other payables and accruals	46,313	131,346
Contract liabilities	5,724	2,044
Interest-bearing bank borrowings	38,840	57,347
Lease liabilities	993	1,358
Total current liabilities	92,506	192,665
Net current liabilities	**(37,051)**	**(143,198)**
Total assets less current liabilities	**56,409**	**(33,938)**
Non-current liabilities		
Other payables and accruals	20,000	179
Deferred tax liabilities	16	1
Lease liabilities	4,092	2,964
Total non-current liabilities	24,108	3,144
Net assets/(liabilities)	**32,301**	**(37,082)**
Equity		
Equity attributable to owners of the parent		
Share capital	—	71,517
Paid-in capital	71,517	—
Deficits	(39,216)	(108,599)
Total equity/(deficits)	**32,301**	**(37,082)**

Property, Plant and Equipment

Our property, plant and equipment consisted of (i) buildings; (ii) machinery and equipment; (iii) construction in progress; (iv) leasehold improvements; (v) motor vehicles; and (vi) furniture and fixtures. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Buildings	16,713	41,622
Machinery and equipment	26,527	37,329
Construction in progress	30,294	8,227
Leasehold improvements	2,170	2,435
Motor vehicles	1,442	1,199
Furniture and fixtures	728	1,006
Total property, plant and equipment	**77,874**	**91,818**

As of December 31, 2023 and 2024, our property, plant and equipment was RMB77.9 million and RMB91.8 million, respectively. The increase in our property, plant and equipment as of December 31, 2024 as compared to December 31, 2023 was primarily due to the additions related to our manufacturing facilities in Jiangsu and Chengdu, as well as our staff quarter, leading to an increase in buildings and machinery and equipment. In 2024, RMB36.9 million of construction in progress was transferred to buildings and machinery and equipment upon completion.

Right-of-Use Assets

Our right-of-use assets consisted of (i) office premises; and (ii) land use rights. As of December 31, 2023 and 2024, our right-of-use assets were RMB8.2 million and RMB12.7 million, respectively. The increase in our right-of-use assets as of December 31, 2024 as compared to December 31, 2023 was primarily due to the addition of land use rights during the year.

Intangible Assets

Our intangible assets consisted of (i) software; and (ii) patents and licenses. The following table sets forth a breakdown of our intangible assets as of the dates indicated:

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Software	364	623
Patent and licenses	254	291
Total intangible assets	**618**	**914**

As of December 31, 2023 and 2024, our intangible assets were RMB0.6 million and RMB0.9 million, respectively. The increase in our intangible assets as of December 31, 2024 as compared to December 31, 2023 was primarily due to the additions of software in relation to accounting software and system upgrade.

Prepayments, Other Receivables and Other Assets

Our non-current prepayments, other receivables and other assets represented (i) value-added recoverable; (ii) rental deposits; and (iii) prepayments for long-term assets; while our current prepayments, other receivables and other assets consisted of (i) value-added tax recoverable; (ii) prepayments for raw materials; (iii) deferred **[REDACTED]** expense; and (iv) others, mainly including petty cash held by our staff, prepaid utility expenses, prepayments for consumables and prepaid rents. The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Non-current		
Value-added tax recoverable[(1)]	5,363	3,366
Rental deposits	310	358
Prepayments for long-term assets	1,138	101
Total non-current prepayments, other receivables and other assets	**6,811**	**3,825**
Current		
Value-added tax recoverable[(1)]	1,864	3,483
Prepayments for raw materials	721	868
Deferred **[REDACTED]** expense	**[REDACTED]**	**[REDACTED]**
Others	1,451	1,390
Total current prepayments, other receivables and other assets	**4,036**	**6,051**

Note:

(1) Value-added tax recoverable is classified as either current or non-current assets based on our estimated timing of generating sufficient output VAT to offset the recoverable amount.

Our non-current prepayments, other receivables and other assets decreased from RMB6.8 million as of December 31, 2023 to RMB3.8 million as of December 31, 2024, primarily due to (i) a decrease in non-current value-added tax recoverable; and (ii) the decrease in prepayments for long-term assets due to transfer of such prepayments to property, plant and equipment upon the delivery of the equipment and completion of construction.

Our current prepayments, other receivables and other assets increased from RMB4.0 million as of December 31, 2023 to RMB6.1 million as of December 31, 2024, primarily due to (i) an increase in deferred **[REDACTED]** expenses; and (ii) an increase in current value-added tax recoverable.

Inventories

Our inventories consisted of (i) raw materials, mainly including polymer materials and packaging materials; (ii) work in progress; and (iii) finished goods. The following table sets forth our inventories as of the dates indicated:

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Raw materials	3,445	4,148
Work in progress	1,840	1,059
Finished goods	1,664	1,473
Total	**6,949**	**6,680**

Our inventories remained relatively stable at RMB6.9 million and RMB6.7 million as of December 31, 2023 and 2024, respectively. Our raw materials increased from RMB3.4 million as of December 31, 2023 to RMB4.1 million as of December 31, 2024 as we procured materials in preparation for the research trial production of our products. Our work in progress and finished goods decreased, primarily reflecting our efforts in inventory management to write-down our inventories based on expiry dates. We recorded inventory write-down in relation to certain products of RMB2.0 million and RMB0.2 million in 2023 and 2024, respectively.

The following table sets forth the inventory turnover days for the periods indicated.

	Year ended December 31,	
	2023	2024
Inventory turnover days[(1)]	187	176

Note:

(1) Inventory turnover days was calculated based on the average of opening and closing inventory balance for the relevant period, divided by the cost of sales for the same period, and multiplied by 365 days.

The following table sets forth the inventory aging analysis as of the dates indicated:

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Within one year	5,053	4,179
One to two years	1,568	2,157
Two to three years	78	191
Over three years	250	153
Total	**6,949**	**6,680**

Our inventory turnover days decreased from 187 days in 2023 to 176 days in 2024, primarily reflecting our efforts in inventory management to write-down our inventories based on expiry dates.

As of March 31, 2025, RMB0.8 million, or 12.7%, of our inventories as of December 31, 2024 had been subsequently delivered or consumed.

Trade Receivables

Our trade receivables arose from our customers. We generally do not grant our customers with credit periods. As of December 31, 2023 and 2024, our trade receivables were mainly attributable to a hospital customer arising from the direct sales of other food products, which was generally granted a credit term of three months. In view of the aforementioned and the fact that our trade receivables relate to diversified customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over our trade receivables. The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Trade receivables	947	1,007
Less: Impairment	(691)	(758)
Net carrying amount	**256**	**249**

Our trade receivables remained relatively stable at RMB0.3 million and RMB0.2 million as of December 31, 2023 and 2024, respectively.

In determining the amount of the allowance for expected credit losses, we consider historical collectability, lifetime of the accounts receivable balances, credit quality of our customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect our ability to collect from customers.

The aging analysis of our trade receivables, net of allowance for credit losses, based on invoice date is as follows:

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Within one year	254	243
One to two years	2	6
Total	**256**	**249**

The following table sets forth the number of our trade receivable turnover days for the periods indicated.

	As of December 31,	
	2023	2024
Trade receivable turnover days[(1)]	23	6

Note:

(1) Trade receivable turnover days was calculated based on the average of opening and closing trade receivable balance for the relevant period, divided by the revenue for the same period, and multiplied by 365 days.

Our trade receivable turnover days decreased from 23 days in 2023 to 6 days in 2024, reflecting our efforts in recovering outstanding receivables.

As of March 31, 2025, RMB0.1 million, or 32.1%, of our trade receivables as of December 31, 2024 had been subsequently settled.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss ("**FVTPL**") primarily represented our investments in structured deposits and wealth management products issued by commercial banks in China. As of December 31, 2023, our financial assets at FVTPL was RMB16.0 million. We did not hold any financial assets at FVTPL as of December 31, 2024.

We invested in structured deposits and purchased wealth management products from commercial banks in Mainland China from time to time with an aim to enhancing our income without materially interfering with our business operations or capital expenditures. We generally purchased only low-risk and short-term products from reputable commercial banks. Our finance department is responsible for selecting wealth management products, which is reviewed and approved by our vice president in charge.

Trade Payables

Our trade payables primarily represent payables to the suppliers for purchases of raw materials and consumables. The credit periods granted by our suppliers are generally one month. The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Within three months	534	533
3–12 months	31	18
Over one year	71	19
Total	**636**	**570**

The decrease in our trade payables as of December 31, 2024 compared to December 31, 2023 was primarily due to the settlement of trade payables for purchase of raw materials.

The following table sets forth the number of our trade payable turnover days for the periods indicated.

	As of December 31,	
	2023	2024
Trade payable turnover days[(1)]	25	16

Note:

(1) Trade payable turnover days was calculated based on the average of opening and closing trade payable balance for the relevant period, divided by the cost of sales for the same period, and multiplied by 365 days.

Our trade payable turnover days decreased from 25 days in 2023 to 16 days in 2024, primarily due to the settlement of trade payables balance in 2024. Our trade payable turnover days during the Track Record Period was generally in line with the credit period grants by our suppliers.

As of March 31, 2025, none of our trade payables as of December 31, 2024 had been settled.

Other Payables and Accruals

Our non-current other payables and accruals primarily represented the non-current portion of our advance receipts for exclusive distribution rights. Advance receipts for exclusive distribution rights represented the license fee we received from our business partners in respect of the exclusive rights to promote, sell and commercialize our products, which maybe refundable subject to the achievement of certain milestones, including, among others, the application of registration for the Class III regulated products, and the receipt of relevant registration approvals. See "Business — Our License-out Arrangements" for details. As of December 31, 2023 and 2024, we had yet to obtain the relevant registration approvals. Accordingly, the license fee received by us is classified as other payables as of the relevant dates.

Our current other payables and accruals primarily consisted of (i) the current portion of advance receipts for exclusive distribution rights in relation to license-out arrangements we entered into with our business partners as detailed above and in the section "Business — Our License-out and Collaboration Arrangements"; (ii) accrued expenses for research and development services; (iii) payroll payable; (iv) payables for purchases of property, plant and equipment; (v) other tax payables; (vi) accrued **[REDACTED]** expenses; and (vii) other payables, which mainly included reimbursement payables to our staff and security deposits received from our customers. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Non-current		
Advance receipts for exclusive distribution rights	20,000	—
Payables for motor vehicles	—	179
	20,000	**179**
Current		
Advance receipts for exclusive distribution rights	30,000	110,000
Accrued expenses for research and development services	7,060	9,840
Payroll payable	3,731	5,385
Payables for purchase of property, plant and equipment	2,330	3,749
Other tax payable	226	309
Accrued **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**
Other payables	2,966	1,878
	46,313	**131,346**

The increase in our other payables and accruals as of December 31, 2024 compared to December 31, 2023 was primarily due to an increase in advance receipts for exclusive distribution rights as we received license fee payments from our business partners, while we had not obtained the relevant approval as of the same date.

Contract Liabilities

Our contract liabilities represented advances from our customers in relation to the sales of our medical-related products and provision of medical R&D and consulting services. The following table sets forth our contract liabilities as of the dates indicated:

	As of December 31,	
	2023	2024
	RMB'000	*RMB'000*
Sales of medical-related products	4,242	1,670
Provision of medical R&D and consulting services	1,482	374
	5,724	2,044

INDEBTEDNESS

As of December 31, 2023 and 2024 and March 31, 2025, our indebtedness primarily included interest-bearing bank borrowings and lease liabilities. The table below sets forth some details of our indebtedness as of the dates indicated:

	As of December 31,		As of March 31,
	2023	2024	2025
		(RMB in thousands)	
			(Unaudited)
Current			
Interest-bearing bank borrowings	38,840	57,347	57,290
Lease liabilities	993	1,358	1,319
Non-current			
Lease liabilities	4,092	2,964	2,769
Total indebtedness	**43,925**	**61,669**	**61,378**

Save as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of March 31, 2025.

As of March 31, 2025, we did not have any unutilized banking facilities. In April 2025, we obtained banking facilities from two reputable banks in the PRC. As of the Latest Practicable Date, RMB85.0 million remained unutilized, among which RMB80.0 million was for construction of production facilities at our Chengdu headquarters and RMB5.0 million was for general working capital purposes.

Interest-Bearing Bank Borrowings

As of December 31, 2023 and 2024 and March 31, 2025, our interest-bearing bank borrowings were RMB38.8 million, RMB57.3 million and RMB57.3 million, respectively.

During the Track Record Period, our interest-bearing bank borrowings are generally payable within two years. Our interest-bearing bank borrowings increased by 47.6% from RMB38.8 million in 2023 and RMB57.3 million in 2024, primarily for financing our research and development activities and funding of our daily operations.

As of December 31, 2023 and 2024, certain of our bank borrowings of up to RMB18.8 million were secured by (i) mortgages over our property, plant and equipment with net carrying value of RMB31.6 million and RMB37.7 million as of the respective year end; and (ii) mortgage over our land use right of net carrying value or RMB3.0 million and RMB2.9 million as of the respective year end.

As of December 31, 2023, we had a bank loan of RMB5.0 million guaranteed by Zhang Tianming, a related party, and certain of his close family members. As of December 31, 2023 and 2024, we had certain a bank loan of RMB13.0 million and RMB24.0 million, respectively, guaranteed by Zhang Xinming, a related party and his close family member. As of December 31, 2023 and 2024, we had certain bank loans up to RMB10.5 million and RMB10.0 million, respectively, guaranteed by certain Independent Third Parties, which were financing guarantee companies. As requested by our lenders, we engaged these companies to provide additional guarantee to our lender upon the payment of guarantee fees. Our Director confirms that all of the guarantees provided by related parties will be released or replaced by corporate guarantees upon the **[REDACTED]**.

As of December 31, 2023 and 2024, pursuant to certain of our borrowing agreements, we had certain loan balances due from one lending bank (the "**Lending Bank**") which did not meet financial covenants to maintain certain financial ratios. The failure to comply with the relevant covenants may trigger early recalling of the loans by the Lending Bank and default of certain other loans provided by other banks due to the cross-default clause. See Note 24 to the Accountants' Report as set out in Appendix I. All such borrowings were presented under current liabilities in our consolidated statement of financial position as of December 31, 2023 and 2024. During the Track Record Period and up to the Latest Practicable Date, the Lending Bank had not taken any actions in view of failure to maintain the relevant financial ratios and we had renewed certain relevant loan provided by the Lending Bank subsequent to the Track Record Period.

Lease Liabilities

Our lease liabilities arose from leasing of office premises. As of December 31, 2023 and 2024 and March 31, 2025, our lease liabilities were RMB5.1 million, RMB4.3 million and RMB4.1 million, respectively.

CONTINGENT LIABILITIES

As of March 31, 2025, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will not be the case in the future. Our Directors confirm that there has been no material change in our contingent liabilities since March 31, 2025 to the date of this document.

NET CURRENT LIABILITIES

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,		As of March 31,
	2023	2024	2025
	(RMB in thousands)		
			(Unaudited)
Current assets			
Inventories	6,949	6,680	5,650
Trade receivables	256	249	225
Prepayments, other receivables and other assets	4,036	6,051	10,852
Financial assets at fair value through profit and loss	16,000	—	—
Restricted bank deposits	10,800	3,290	—
Cash and bank balances	17,414	33,197	39,248
Total current assets	**55,455**	**49,467**	**55,975**
Current liabilities			
Trade payables	636	570	504
Other payables and accruals	46,313	131,346	126,972
Contract liabilities	5,724	2,044	6,022
Interest-bearing bank borrowings	38,840	57,347	57,290
Lease liabilities	993	1,358	1,319
Total current liabilities	**92,506**	**192,665**	**192,107**
Net current liabilities	**(37,051)**	**(143,198)**	**(136,132)**

Our net current liabilities decreased from RMB143.2 million as of December 31, 2024 to RMB136.1 million as of March 31, 2025, primarily due to an increase in current assets. Such increase was mainly due to an increase in cash and bank balances and prepayments, other receivables and other assets.

Our net current liabilities increased significantly from RMB37.1 million as of December 31, 2023 to RMB143.2 million as of December 31, 2024, primarily due to a significant increase in our current liabilities. The increase in current liabilities was mainly due to an increase in our other payables and accruals related to license fee payments we received from our business partners pursuant to the license-out arrangements. Such balance will be recognized as revenue as we reached the milestones as stipulated in the relevant license-out agreements. See "Business — Our License-Out and Collaboration Arrangements" for details.

Although we had net current liabilities as of December 31, 2023 and 2024 and March 31, 2025, our Directors believe that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document, taking into account the financial resources available to us, including internally generated funds, the second payment of **[REDACTED]** investments of RMB70.0 million we received in April 2025, the available bank facilities of RMB85.0 million as of the Latest Practicable Date. We have taken and will continue to take measures to improve our financial position, including (i) actively discussing with banks to increase the proportion of long-term loans in our financing structure to better match the life cycle of our capital expenditures and enhance financial stability; and (ii) monitoring our cash flow situation on a regular basis through budget planning.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity consist of bank borrowings and cash from our operations. We expect that our cash needs in the near future will primarily relate to progressing the development of our products towards receiving regulatory approval and commencing commercialization, as well as expanding our product portfolio. Our management closely monitors uses of cash and cash balances and strives to maintain a healthy liquidity for our operations. We expect our liquidity requirements will be satisfied by a combination of existing cash and cash equivalents, bank borrowings, net proceeds from the **[REDACTED]** as well as revenue generated from sales of our successfully commercialized products. With the continuing expansion of our business, we may require further funding through public or private offerings, debt financings, collaboration arrangements, licensing arrangements or other sources.

Working Capital Sufficiency

As of March 31, 2025, the latest practicable date for determining our indebtedness, we had cash and cash equivalents of RMB39.2 million. In March and April 2025, we received **[REDACTED]** investment of RMB20.0 million and RMB70.0 million, respectively. We also had unutilized bank facilities of RMB85.0 million as of the Latest Practicable Date. Taking into account the estimated net proceeds from the **[REDACTED]** and the financial resources available to us, including cash and cash equivalents, **[REDACTED]** investment and unutilized bank facilities, and considering our cash burn rate, our Directors are of the view that we have available sufficient working capital to cover at least 125% of our costs, including general, administrative and operating costs (including any production costs), research and development costs, and business development and marketing 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, which includes research and development costs and administrative expenses, and (ii) capital expenditures. Taking into account our cash and cash equivalents, consideration from Series A Financing, and assuming average monthly net cash used in operating activities and capital expenditures going forward of three times the average level in 2023 and 2024, we estimate we will be able to maintain our financial viability for 16 months from the date of this document without considering proceeds from the **[REDACTED]**; or, if we also take into account the net proceeds from **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the **[REDACTED]** of the indicative **[REDACTED]**), 83 months from the date of this document. Our Directors and our management team will continue to monitor our working capital, cash flows and our business development status.

We currently have no immediate plan for future financing after the **[REDACTED]** taking into account our available cash, proceeds from the **[REDACTED]** and based on our cash burn rate. However, with the continuing expansion of our business and development of our products, we could not exclude the possibility to require further funding through public or private equity offerings, debt financing and other sources. We will comply with applicable laws and regulations, including requirements under the Listing Rules, when we proceed with such financings.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,	
	2023	2024
	(RMB in thousands)	
Net cash flows (used in)/from operating activities	(86)	1,587
Net cash flows used in investing activities	(58,113)	(8,769)
Net cash flows from financing activities	71,030	22,965
Net increase in cash and cash equivalents	12,831	15,783
Cash and cash equivalents at the beginning of the year	4,583	17,414
Cash and cash equivalents at the end of the year	**17,414**	**33,197**

Net cash flows (used in)/from operating activities

Cash flows from operating activities consist of loss before income tax adjusted for certain non-cash or non-operating activities related items, primarily including finance costs, depreciation and amortization and impairment losses. We derive our cash inflow mainly from operating activities through sales of our products and provision of services. Cash outflow from operating activities primarily consisted of payments for procuring inventories and services, employee benefit expenses, and other operating expenses incurred during our daily operations.

Our net cash from operating activities was RMB1.6 million in 2024. This net cash inflow was attributable to (i) loss before tax of RMB69.4 million, as adjusted to reflect non-cash or non-operating items, which primarily consisted of depreciation of our property, plant and equipment and our right-of-use assets; and (ii) an increase in other payables and accruals of RMB63.8 million.

Our net cash used in operating activities was RMB86,000 in 2023. This net cash outflow was attributable to (i) loss before tax of RMB63.5 million, as adjusted to reflect non-cash or non-operating items, which primarily consisted of depreciation of our property, plant and equipment and impairment losses of inventories; and (ii) an increase in other payables and accruals of RMB56.2 million.

Net cash flows used in investing activities

Our cash used in investing activities mainly consisted of our cash used in purchases of items of property, plant and equipment, cash used in purchases of structured deposits and wealth management products and cash used in purchase of land use right. Our cash generated from investing activities mainly consisted of proceeds from disposal of property, plant and equipment, proceeds from disposal of our structured deposits and wealth management products and proceeds from disposal of our structured deposits and wealth management products as well as property, plant and equipment.

Our net cash used in investing activities was RMB8.8 million in 2024. This net cash outflow was primarily due to (i) purchases of structured deposits and wealth management products of RMB114.9 million for capital management; (ii) purchases of property, plant and equipment of RMB19.3 million; and (iii) purchases of land use right of RMB5.7 million. This net cash outflow was partially offset by (i) proceeds from disposal of structured deposits and wealth management products of RMB130.9 million.

Our net cash used in investing activities was RMB58.1 million in 2023. This net cash outflow was primarily due to (i) purchases of property, plant and equipment of RMB42.1 million; and (ii) purchases of structured deposits and wealth management products of RMB16.0 million.

Net cash flows from financing activities

Our cash used in financing activities mainly consisted of our cash placed as restricted bank deposits, repayment of bank loans and payment of loan interests. Cash generated from financing activities mainly consisted of proceeds from bank borrowings and capital contribution from shareholders.

Our net cash from financing activities was RMB23.0 million in 2024. This net cash inflow was primarily due to (i) drawdown of new bank loans of RMB38.5 million; and (ii) the release of restricted bank deposits of RMB10.8 million. This net cash inflow was offset by repayment of bank loans of RMB20.0 million.

Our net cash from financing activities was RMB71.0 million in 2023. This net cash inflow was primarily due to (i) capital contribution from shareholders of RMB60.0 million; and (ii) draw down of new bank loans of RMB33.8 million. This net cash inflow was offset by (i) a placement of restricted bank deposits of RMB10.8 million; and (ii) repayment of bank loans of RMB10.0 million.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	Year ended December 31,	
	2023	2024
	(RMB in thousands)	
R&D costs	34,986	37,144
R&D costs for Core Products	4,336	6,082
R&D service fees	2,425	4,132
Cost of materials	1,398	1,209
Staff costs	513	740
Clinical trial consumables	—	1
R&D costs for other products	30,650	31,062
R&D service fees	15,527	15,369
Cost of materials	4,902	6,229
Staff costs	7,039	8,308
Clinical trial consumables	3,182	1,156
Workforce employment[(1)]	13,119	19,465
Non-income taxes, royalties and other government charges	745	1,109
Total	**48,850**	**57,718**

Note:

(1) Represented total non-R&D staff costs.

KEY FINANCIAL RATIO

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

	As of December 31,	
	2023	2024
Current ratio[(1)] *(times)*	0.6	0.3

Note:

(1) Current ratio equals total current assets divided by total current liabilities.

Current Ratio

Our current ratio decreased from 0.6 times as of December 31, 2023 to 0.3 times as of December 31, 2024, primarily due to a significant increase in our current liabilities as a result of the license fees we received from our business partners pursuant to the license-out arrangements. See "Business — Our License-Out and Collaboration Arrangements" for details.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for purchases of property, plant and equipment, land use right and intangible assets. The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	Year ended December 31,	
	2023	2024
	(RMB in thousands)	
Purchases of items of property, plant and equipment	43,686	21,775
Purchase of land use rights	—	5,684
Purchases of intangible assets	139	466
Total	**43,825**	**27,025**

We plan to fund our planned capital expenditures using cash generated from operations, available bank facilities and the net proceeds from the **[REDACTED]**. See "Future Plans and Use of **[REDACTED]**." We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we entered into a number of related party transactions, including rental of offices premises in Chengdu from Ms. Luo Qun, purchases of CRO services from Beijing Sun-Novo and guarantee provided by Mr. Zhang Xinming and Zhang Tianming for securing bank loans amounting to RMB13.0 million and RMB24.0 million as of December 31, 2023 and 2024, respectively.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on normal commercial terms and on an arm's length basis and would not distort our results of operations or make our historical results not reflective of our future performance.

For further details, see note 31 of the Accountants' Report in Appendix I to this document.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and as of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to various types of risks including credit risk and liquidity risk.

Credit Risk

We trade only with recognized and creditworthy third parties. Under our Group's policy, customers who wish to trade on credit terms are subject to credit verification procedures. We monitor our receivable balances on an ongoing basis and our exposure to bad debts is not significant. As of December 31, 2023 and 2024, we had certain concentrations of credit risk as 57% and 49%, respectively, of our trade receivables were due from our largest customer, and 76% and 82%, respectively, of our trade receivables were due from the our five largest customers. We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk.

Our management assessed that during the Track Record Period, prepayments and other receivables had not had a significant increase in credit risk since initial recognition. Thus, expected credit losses ("**ECLs**") are provided for credit losses that result from default events that are possible within the next 12 months. Our management expects the occurrence of losses from non-performance by counterparties of other receivables to be remote and no provision for bad debts was made for other accounts receivable.

Liquidity Risk

We monitor and maintain an adequate level of cash and cash equivalents to finance the operations and mitigate the effects of fluctuations in cash flows. The maturity profile of our financial liabilities as of the end of each year during the Track Record Period are set out in note 34 of the Accountants' Report in Appendix I.

DIVIDEND POLICY

We did not declare or pay any dividend during the Track Record Period. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business. Investors should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the discretion of our Directors, subject to Shareholders' approval, and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China. As a result, we may not have sufficient or any distributable profits to make dividend contributions to our Shareholders, even if we become profitable. Our Company is a joint stock company incorporated in the People's Republic of China with limited liability. The payment and amount of any future dividend depend on the availability of dividends received from our subsidiaries.

DISTRIBUTABLE RESERVES

As of December 31, 2024, our Company did not have any distributable reserves.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II — Unaudited **[REDACTED]** Financial Information."

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since December 31, 2024 (being the date of our latest audited financial statements) and there has been no event since December 31, 2024 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

[REDACTED] EXPENSES

Based on the **[REDACTED]** of the indicative **[REDACTED]** and assuming the **[REDACTED]** is not exercised, we estimate that our **[REDACTED]** expenses will be approximately HK$**[REDACTED]** million, which constitute approximately **[REDACTED]**% of the gross proceeds from the **[REDACTED]**. Our total **[REDACTED]** expenses consist of (i) **[REDACTED]**-related fees and expenses (including **[REDACTED]** commissions, Stock Exchange trading fee, and SFC transaction levy and AFRC transaction levy) of HK$**[REDACTED]** million; and (ii) non-**[REDACTED]**-related expenses of HK$**[REDACTED]** million, including (a) fees payable to the Sole Sponsor, legal advisors and Reporting Accountants of HK$**[REDACTED]** million and (b) other fees and expenses of HK$**[REDACTED]** million. During the Track Record Period, we incurred **[REDACTED]** expenses of RMB**[REDACTED]** million, all of which was recognized in our consolidated statements of profit or loss in 2024. As of December 31, 2024, we recorded RMB**[REDACTED]** million as deferred **[REDACTED]** expenses under other receivables, deposits and prepayments in our consolidated statements of financial position, to be accounted for as a deduction from equity upon the **[REDACTED]**. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such expenses to materially impact our results of operations in 2025.

FUTURE PLANS

For details of our future plans, see "Business — Our Growth Strategies."

[REDACTED]

We estimate that we will receive net proceeds of approximately HK$**[REDACTED]** million after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]** assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the **[REDACTED]** of the indicative **[REDACTED]** set out in this document. We intend to use the net proceeds from the **[REDACTED]** for the following purposes in the next two years:

(1) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to the development and registration of our Core Product, XH301, of which:

   (a) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to fund the ongoing registration which we expect to complete in the second half of 2025 and post-market clinical follow-up;

   (b) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to fund the upgrade of our technology platforms to enhance our technologies in the R&D, modification and preparation of polymer materials and regenerative biomaterials, as well as the R&D and preparation of microspheres in order to improve the quality and productivity of XH301;

   (c) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to the construction, expansion and upgrades of manufacturing facilities;

   (d) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to the proposed CE Marking certification, and commercialization in Europe and Southeast Asia;

(2) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to the development and registration of our other regenerative medicine material-based injectable product candidates and one of our regenerative medicine material-based dressing and patch product candidates, of which:

   (a) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to fund the clinical trials, development and registration for our other regenerative medicine material-based injectable product candidates;

(b) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to the construction, expansion and upgrades of manufacturing facilities;

(c) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to fund the clinical trials, development and registration for one of our regenerative medicine material-based dressing and patch product candidates;

(d) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to upgrade our technology platform for our regenerative medicine medical devices in order to improve the quality and productivity of our products;

(3) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated for the development and registration of our FSMP product candidates, of which:

(a) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to the development and registration of diabetes-specific, nephropathy-specific, and chronic obstructive pulmonary-specific nutritionally complete formula foods;

(b) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to upgrade the high energy density emulsion industrialization technology platform;

(c) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be allocated to the construction, expansion and upgrades of manufacturing facilities;

(4) approximately **[REDACTED]**%, or HK$**[REDACTED]** million, will be used for working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed at a higher or lower level compared to the **[REDACTED]** of the indicative **[REDACTED]**. If the **[REDACTED]** is set at HK$**[REDACTED]** per Share, being the high end of the indicative **[REDACTED]**, the net proceeds from the **[REDACTED]** will increase to approximately HK$**[REDACTED]** million. If the **[REDACTED]** is set at HK$**[REDACTED]** per Share, being the low end of the indicative **[REDACTED]**, the net proceeds from the **[REDACTED]** will decrease to approximately HK$**[REDACTED]** million.

If the net proceeds are not immediately applied to the above purposes, we will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance, and the relevant applicable laws in the relevant jurisdiction for non-Hong Kong based deposits). We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EASTENOVA (CHENGDU) BIOTECHNOLOGY CO., LTD. AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Eastenova (Chengdu) Biotechnology Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-70, 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**"), and 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 I-4 to I-70 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 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 [REDACTED] of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2023	2024
		RMB'000	*RMB'000*
REVENUE	*5*	12,882	14,520
Cost of sales		(11,415)	(14,141)
Gross profit		1,467	379
Other income and gains	*6*	660	2,277
Selling and distribution expenses		(10,346)	(9,149)
Research and development costs		(45,726)	(44,950)
Administrative expenses		(7,625)	(16,239)
Impairment losses on financial assets	*7*	(557)	(67)
Other expenses		(121)	(65)
Finance costs	*8*	(1,253)	(1,584)
LOSS BEFORE TAX	*7*	(63,501)	(69,398)
Income tax credit	*11*	—	15
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(63,501)	(69,383)
Attributable to:			
Owners of the parent		(63,501)	(69,383)
Non-controlling interest		—	—
		(63,501)	(69,383)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	*13*	(0.96)	(0.97)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2023	As at 31 December 2024
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	77,874	91,818
Right-of-use assets	*15*	8,157	12,703
Intangible assets	*16*	618	914
Prepayments, other receivables and other assets	*19*	6,811	3,825
Total non-current assets		93,460	109,260
CURRENT ASSETS			
Inventories	*17*	6,949	6,680
Trade receivables	*18*	256	249
Prepayments, other receivables and other assets	*19*	4,036	6,051
Financial assets at fair value through profit or loss ("**FVTPL**")	*20*	16,000	—
Restricted bank deposits	*21*	10,800	3,290
Cash and cash equivalents	*21*	17,414	33,197
Total current assets		55,455	49,467
CURRENT LIABILITIES			
Trade payables	*22*	636	570
Other payables and accruals	*23*	46,313	131,346
Contract liabilities	*25*	5,724	2,044
Interest-bearing bank borrowings	*24*	38,840	57,347
Lease liabilities	*15*	993	1,358
Total current liabilities		92,506	192,665
NET CURRENT LIABILITIES		(37,051)	(143,198)
TOTAL ASSETS LESS CURRENT LIABILITIES		56,409	(33,938)

	Notes	As at 31 December 2023	As at 31 December 2024
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Other payables and accruals	*23*	20,000	179
Deferred tax liabilities	*26*	16	1
Lease liabilities	*15*	4,092	2,964
Total non-current liabilities		24,108	3,144
Net assets/(liabilities)		32,301	(37,082)
EQUITY			
Equity attributable to owners of the parent			
Share capital	*27*	—	71,517
Paid-in capital	*27*	71,517	—
Deficits	*28*	(39,216)	(108,599)
Non-controlling interests		—	—
Total equity/(deficits)		32,301	(37,082)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent			
	Paid-in capital	Capital reserve*	Accumulated losses*	Total equity
	RMB'000 (Note 27)	*RMB'000* (Note 28)	*RMB'000*	*RMB'000*
At 1 January 2023	64,706	35,294	(64,198)	35,802
Loss for the year	—	—	(63,501)	(63,501)
Capital contribution by shareholders	6,811	53,189	—	60,000
At 31 December 2023	71,517	88,483	(127,699)	32,301

Year ended 31 December 2024

	Attributable to owners of the parent				
	Paid-in capital	Share capital	Capital reserve*	Accumulated losses*	Total equity/ (deficits)
	RMB'000 (Note 27)	*RMB'000* (Note 27)	*RMB'000* (Note 28)	*RMB'000*	*RMB'000*
At 1 January 2024	71,517	—	88,483	(127,699)	32,301
Loss for the year	—	—	—	(69,383)	(69,383)
Conversion into a joint stock company	(71,517)	71,517	(539)	539	—
At 31 December 2024	—	71,517	87,944	(196,543)	(37,082)

* These accounts comprise the consolidated deficits of RMB39,216,000 and RMB108,599,000 in the consolidated statements of financial position as at 31 December 2023 and 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2023	2024
		RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(63,501)	(69,398)
Adjustments for:			
Finance costs	*8*	1,253	1,584
Bank interest income	*6*	(97)	(179)
Loss on disposal of items of property, plant and equipment		29	16
Depreciation of property, plant and equipment	*7*	4,946	7,807
Depreciation of right-of-use assets	*7*	845	1,561
Amortisation of intangible assets	*7*	111	170
Investment income from financial assets at FVTPL	*6*	—	(513)
Impairment losses on financial assets	*7*	557	67
Write-down of inventories to net realisable value	*7*	2,011	188
		(53,875)	(53,875)
(Increase)/decrease in inventories		(4,224)	81
Decrease/(increase) in trade receivables		542	(60)
(Increase)/decrease in prepayments, other receivables and other assets		(1,899)	244
Increase/(decrease) in contract liabilities		3,383	(3,680)
Decrease in trade payables		(269)	(66)
Increase in other payables and accruals		56,227	63,765
Cash (used in)/generated from operations		(86)	1,587
Net cash flows (used in)/from operating activities		(86)	1,587

	Notes	Year ended 31 December 2023	2024
		RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		76	8
Purchases of items of property, plant and equipment		(42,147)	(19,319)
Purchase of intangible assets		(139)	(466)
Purchase of an item of land use right		—	(5,684)
Purchase of financial assets at FVTPL		(16,000)	(114,900)
Bank interest received		97	179
Proceeds from disposal of financial assets at FVTPL		—	130,900
Investment income from financial assets at FVTPL		—	513
Net cash flows used in investing activities		(58,113)	(8,769)
CASH FLOWS FROM FINANCING ACTIVITIES			
New restricted bank deposits		(10,800)	(3,290)
Release in restricted bank deposits		—	10,800
Repayments of bank loans		(10,000)	(20,000)
New bank loans		33,800	38,490
Lease payments		(841)	(1,395)
Bank loan interest paid		(1,129)	(1,358)
[REDACTED] expenses paid		—	**[REDACTED]**
Capital contribution from shareholders		60,000	—
Net cash flows from financing activities		71,030	22,965
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,831	15,783
Cash and cash equivalents at beginning of year		4,583	17,414
CASH AND CASH EQUIVALENTS AT END OF YEAR		17,414	33,197
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statements of financial position		17,414	33,197
Cash and cash equivalents as stated in the consolidated statements of cash flows		17,414	33,197

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2023	As at 31 December 2024
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		597	3,743
Right-of-use assets	*15*	—	5,589
Intangible assets		—	15
Investments in subsidiaries	*1*	70,098	70,098
Prepayments, other receivables and other assets	*19*	2	124
Total non-current assets		70,697	79,569
CURRENT ASSETS			
Prepayments, other receivables and other assets	*19*	—	440
Due from a subsidiary	*19*	37,000	22,650
Financial assets at FVTPL	*20*	15,000	—
Cash and cash equivalents	*21*	7,331	26,416
Total current assets		59,331	49,506
CURRENT LIABILITIES			
Other payables and accruals	*23*	80	1,168
Due to a subsidiary	*23*	5,050	—
Interest-bearing bank borrowings		—	6,004
Total current liabilities		5,130	7,172
NET CURRENT ASSETS		54,201	42,334
TOTAL ASSETS LESS CURRENT LIABILITIES		124,898	121,903
NON-CURRENT LIABILITIES			
Other payables and accruals	*23*	—	179
Total non-current liabilities		—	179
Net assets		124,898	121,724
EQUITY			
Share capital	*27*	—	71,517
Paid-in capital	*27*	71,517	—
Reserves	*28*	53,381	50,207
Total equity		124,898	121,724

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in Chengdu on 23 May 2023 as a limited liability company under the name of Chengdu Xihong Yanmei Biotechnology Co., Ltd. (成都西宏妍美生物技術有限公司), which was renamed as Eastenova (Chengdu) Biotechnology Co., Ltd. (東方妍美(成都)生物技術有限公司) on 22 May 2024, and became a joint stock company with limited liability on 17 December 2024 and renamed as Eastenova (Chengdu) Biotechnology Co., Ltd. (東方妍美(成都)生物技術股份有限公司). Its registered address is No. 111, Youxian Road,Wenjiang District, Chengdu, Sichuan Province, People's Republic of China (the "**PRC**").

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the following principal activities:

- Manufacture and sale of medical-related products
- Provision of medical R&D and consulting services

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	*Notes*	Place and date of incorporation/registration and place of operations	Issued ordinary/ registered paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Jiangsu Xihong Biopharmaceutical Co., Ltd. 江蘇西宏生物醫藥有限公司*.	(a)	Chinese Mainland 22 December 2016	RMB64,706,000	100%	—	Manufacture and sale medical-related products
Runmei Time (Beijing) Biotechnology Co., Ltd. 潤美時光(北京)生物科技有限公司* (Former name: 北京西宏潤美醫藥科技有限公司)	(b)	Chinese Mainland 25 June 2019	RMB5,000,000	100%	—	Provision of medical R&D and consulting services
Suqian Yanmei Biotechnology Co., Ltd. 宿遷研美生物科技有限公司*.	(b)	Chinese Mainland 18 November 2016	RMB1,000,000	—	100%	Sale medical-related products

Name	*Notes*	Place and date of incorporation/registration and place of operations	Issued ordinary/ registered paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Jiangsu Hongjun Pharmaceutical Technology Co., Ltd. 江蘇宏浚醫藥科技有限公司*. .	(b)	Chinese Mainland 28 January 2019	RMB10,000,000	—	100%	Sale medical-related products

* 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.

Notes:

(a) The statutory financial statements of this entity for the year ended 31 December 2023 and 2024 prepared in accordance with China Accounting Standards for Business Enterprises ("**CAS**") were audited by Shenzhen ZhongQin WanXin Certified Public Accountants (深圳中勤萬信會計師事務所), certified public accounting firm registered in the PRC.

(b) No audited financial statements have been prepared for these entities for the years ended 31 December 2023 and 2024.

2.1 BASIS OF PRESENTATION

Pursuant to the "Establishment of our Company and Angel Round Financing" in the section headed "History, Development and Corporate Structure" in the Document, the initial registered capital of the Company at the time of its establishment was RMB50,000,000. Shortly after the Company was established, pursuant to a Shareholders' resolution passed on 10 July 2023, the registered capital of the Company was increased from RMB50,000,000 to RMB64,706,000 on a pro-rata basis. The registered capital of RMB64,706,000 of the Company was subscribed by all the then shareholders of Jiangsu Xihong Biopharmaceutical Co., Ltd. ("**Jiangsu Xihong**") in proportion to their respective equity interest in Jiangsu Xihong immediately before the establishment of the Company at a total consideration of RMB65,097,800 and fully paid up by way of capital contribution of equity interest held by them in Jiangsu Xihong. See "Our Subsidiaries — Jiangsu Xihong" in the section headed "History, Development and Corporate Structure" in the Document for further details.

As the Establishment of the Company mainly involved inserting new holding company at the top of an existing company, Jiangsu Xihong, and has not resulted in any change of economic substance, for the purpose of this report, the Historical Financial Information for the Relevant Periods has been presented as a continuation of Jiangsu Xihong and its subsidiaries using the pooling of interest method as if the Company had been the holding company of Jiangsu Xihong and its subsidiaries at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 December 2023 and 2024 have been prepared to present the assets and liabilities of the subsidiaries or businesses using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of inserting new holding company.

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 IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information 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 of the Latest Practicable Date of the Document, the Group had 13 major regenerative medicine material injectable product candidates under the registration review or in clinical or preclinical stage, all of which are regulated as Class III medical devices. Two of such 13 product candidates, XH301 and XH305, had entered the registration review stage. As R&D investment continues to increase, as at 31 December 2024, the Group recorded net current liabilities of RMB143,198,000 and net liabilities of RMB37,082,000 and incurred accumulated losses from operations.

The above conditions indicate the existence of material uncertainties which cast significant doubt over the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including:

(i) According to the R&D progress of the Group's product candidates, the Group expect to: i) launch XH301 and XH305 in China in 2025, and ii) prepare to submit application for the registration for pipeline products of XH302, XH304, and XH311 before 31 December 2025, and anticipates to obtain acceptance notices for registration

applications for these pipeline products before 31 December 2025. Consequently, the Company will not be required to pay the previously collected license and collaboration milestone payments totaling RMB110,000,000 in 2025. Moreover, based on the signed cooperation agreements and the milestones achieved as mentioned above, the Group is expected to further collect license and collaboration milestone payments of RMB60,000,000 before 31 December 2025; and

(ii) The Group completed Series A Financing by receiving RMB90,000,000 during the period from 28 March 2025 to 3 April 2025. The investment agreement stipulates that the Company must obtain the Class III medical device registration certificate for its core product, otherwise, the investors have the right to demand the Company to repurchase the investment funds. These special rights were terminated one day before the Group's first submission of the **[REDACTED]** to the Stock Exchange but are subject to a retrieval mechanism. The Group expects to obtain the product registration certificate for pipeline product of XH301 and XH305 before 31 December 2025, thereby avoiding the repurchase of the Series A Financing funds before 31 December 2025.

The board of directors 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. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Should the Group fail to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in the Historical Financial Information.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards — Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of the new and revised IFRS Accounting Standards upon initial application. So far, the Group considers that these new and revised IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position in the period of initial application. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statements of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group's financial information.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

Interests in subsidiaries

Interests in subsidiaries are stated in the statement of financial position of the Company at cost less impairment loss, if any.

Fair value measurement

The Group measures its certain financial instruments at fair value at the end of each of the Relevant periods. 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.

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 of the Relevant periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where

significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Leasehold improvements	10% to 33%
Furniture and fixtures	17% to 33%
Motor vehicles	25%
Machinery and equipment	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the Relevant periods.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. 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 the end of each of the Relevant periods.

(a) Patents and licences

Independently developed patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years, which are estimated to be the shorter of their remaining validity period and their estimated useful lives.

(b) Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 to 10 years, which is determined by the expected usage period after considering the technical obsolescence and estimates of useful lives of similar assets.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

All development costs were charged to profit or loss as incurred during the Relevant Periods.

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.

The 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

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities 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:

Office premises	2–5 years
Land use of right	20–50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated 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 terminating the 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 expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office and employee dormitory (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, 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 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 statements of financial position at fair value with net changes in fair value recognised in 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 statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis 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.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the 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, associates and joint ventures, 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 of the Relevant Periods 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 of the Relevant Periods 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 each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of medical-related products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the medical products.

(b) Provision of medical R&D and consulting services

Revenue from research and development service performance obligations is recognised as collaboration revenue at the point in time when the research and development services are rendered to customers.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension schemes

The employees of the Company and its subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The Company and its subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 each of the Relevant Periods, 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements 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:

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 valuates 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.

Development costs

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 the directors, during the Relevant Periods the criteria for capitalisation 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.

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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

All external revenue of the Group during the Relevant Periods was attributable to customers in Chinese Mainland.

(b) Non-current assets

During the Relevant Periods, all of the Group's non-current assets were located in Chinese Mainland, and no geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year ended 31 December 2023 and 2024 is set out below:

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Customer A	4,228	2,696
Customer B	N/A*	1,812
Customer C	N/A*	1,562

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the periods.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December	
	2023	2024
	RMB'000	*RMB'000*
Revenue from contracts with customers	12,882	14,520

(a) Disaggregated revenue information

	Year ended 31 December	
	2023	2024
	RMB'000	*RMB'000*
Types of goods or services		
Sales of medical-related products	9,967	12,939
Provision of medical R&D and consulting services	2,915	1,581
Total	12,882	14,520
Geographical markets		
Chinese Mainland	12,882	14,520
Timing of revenue recognition		
Goods transferred at a point in time	9,967	12,939
Services transferred at a point in time	2,915	1,581
Total revenue from contracts with customers	12,882	14,520

The following table shows the amounts of revenue recognised during the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December	
	2023	2024
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
Sales of medical-related products	1,634	4,242
Provision of medical R&D and consulting services	708	1,482
Total	2,342	5,724

(b) Performance obligations

Information about the Group's performance obligations is summarised below.

Sales of medical-related products

The performance obligation is satisfied upon delivery of products to the customers' specific locations and confirmation by the customers. The payment is generally made in advance from the acceptance by the customers.

Provision of medical R&D and consulting services

The performance obligation is satisfied as the contract terms are completed, and payment is generally due upon fulfilling of contract terms and customer acceptance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within 1 year	5,724	2,044

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Other income		
Government grants*	563	1,585
Bank interest income	97	179
Gains		
Investment income from financial assets at FVTPL	—	513
Total other income and gains	660	2,277

* The Group has received certain government grants related to income which mainly represent subsidies from local governments to support the development of enterprises. There are no unfulfilled conditions or contingencies relating to these grants.

7. LOSS BEFORE TAX

	Notes	Year ended 31 December 2023	2024
		RMB'000	*RMB'000*
Cost of inventories sold*		11,280	14,080
Cost of services provided		135	61
Depreciation of property, plant and equipment**	*14*	4,946	7,807
Depreciation of right-of-use assets**	*15(a)*	845	1,561
Amortisation of intangible assets**	*16*	111	170
Total depreciation and amortisation		5,902	9,538
Research and development costs		45,726	44,950
Lease payments not included in the measurement of lease liabilities	*15(c)*	343	460
Impairment losses on financial assets	*18*	557	67
Write-down of inventories to net realisable value*		2,011	188
[REDACTED] expense		—	**[REDACTED]**
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		18,077	24,700
Pension scheme contributions***		2,327	3,502
Total employee benefit expense		20,404	28,202

* Write-down of inventories to net realisable value is included in "Cost of sales" in profit or loss.

** The depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets are included in "Cost of sales", "Selling and distribution expenses", "Administrative expenses", and "Research and development costs" in profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Notes	Year ended 31 December	
		2023	2024
		RMB'000	*RMB'000*
Interest on bank loans		1,091	1,572
Interest on lease liabilities	*15*	84	209
Others		100	53
		1,275	1,834
Less: Interest capitalised		22	250
Total		1,253	1,584

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of each director and supervisor as recorded during each of the Relevant Periods is set out below:

	Year ended 31 December	
	2023	2024
	RMB'000	*RMB'000*
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	526	1,673
Performance related bonuses	341	823
Pension scheme contributions	48	118
	915	2,614

(a) Executive directors, supervisors and the chief executive

Year ended 31 December 2023

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors, supervisors and chief executive:				
Mr. Zhang Xinming *(note (a))*	312	300	46	658
Mr. Tang Haiwei *(note (b))*	31	8	2	41
Ms. Luo Qun *(note (d))*	183	33	—	216
Non-executive directors:				
Mr. Li Qian *(note (c))*	—	—	—	—
	526	341	48	915

Year ended 31 December 2024

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors, supervisors and chief executive:				
Mr. Zhang Xinming *(note (a))*	840	500	68	1,408
Mr. Tang Haiwei *(note (b))*	600	300	43	943
Ms. Luo Qun *(note (d))*	171	9	—	180
Mr. Cheng Huazhong *(note (e))*	24	6	1	31
Ms. Chen Wenjie *(note (e))*	24	6	3	33
Mr. Lv Xuefu *(note (e))*	14	2	3	19
Non-executive directors:				
Mr. Li Qian *(note (c))*	—	—	—	—
	1,673	823	118	2,614

Notes:

(a) Mr. Zhang Xinming was appointed as a director and the chief executive officer of the Company with effect from 23 May 2023.

(b) Mr. Tang Haiwei was appointed as a director of the Company with effect from 29 December 2023.

(c) Mr. Li Qian was appointed as a non-executive director of the Company with effect from 29 December 2023.

(d) Ms. Luo Qun was appointed as a supervisor of the Company with effect from 23 May 2023 and resigned in 24 December 2024.

(e) Mr. Cheng Huazhong, Ms. Chen Wenjie and Mr. Lv Xuefu were appointed as supervisors of the Company with effect from 24 December 2024.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included one and two directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four and three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	1,303	1,805
Performance related bonuses	498	700
Pension scheme contributions	111	139
	1,912	2,644

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2023	2024
Nil to HKD1,000,000	4	2
HKD1,000,001 to HKD1,500,000	—	1
	4	3

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Chinese Mainland

Under the Law of the PRC on Corporate Income Tax ("**CIT**") and Implementation Regulation of the CIT Law, the CIT rate of the PRC subsidiaries was 25% during the Relevant Periods, except for those subject to tax concession set out below.

Jiangsu Xihong Biopharmaceutical Co., Ltd. has been approved as a high technology enterprise under the relevant tax rules and regulations in November 2022, and accordingly, is entitled to a preferential CIT rate of 15% from 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Runmei Time (Beijing) Biotechnology Co., Ltd. has been approved as a high technology enterprise under the relevant tax rules and regulations in December 2022, and accordingly, is entitled to a preferential CIT rate of 15% from 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

During the period from 1 January 2023 to 31 December 2024, the Company Suqian Yanmei Biotechnology Co., Ltd. and Jiangsu Hongjun Pharmaceutical Technology Co., Ltd. as qualified small and micro enterprises, can enjoy a 20% Corporate Income Tax rate on 25% of the taxable income amount for the proportion of taxable income not exceeding RMB3 million.

No provision for PRC income tax has been made during the Relevant Periods as the Group which operate in Chinese Mainland were in loss position and had no estimated taxable profits.

The income tax credit of the Group during the Relevant Periods is analysed as follows:

	Year ended 31 December	
	2023	2024
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	—	—
Deferred tax	—	15
Total tax credit for the year	—	15

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2023	2024
	RMB'000	*RMB'000*
Loss before tax	(63,501)	(69,398)
Tax at the applicable tax rate (25%)	(15,875)	(17,350)
Effect of different tax rates enacted by local authorities	6,254	6,500
Deductible temporary differences and tax losses not recognised	16,099	16,466
Expenses not deductible for tax	205	311
Additional deductible allowance for qualified research and development costs*	(6,683)	(5,942)
Tax credit at the Group's effective rate	—	(15)

* According to the Announcement of the Ministry of Finance and the State Taxation Administration [2023] No.7, the enterprises were eligible for an additional 100% deduction of eligible R&D expenses from 1 January 2023.

12. DIVIDENDS

No dividend was paid or declared by the Company during the Relevant Periods.

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods.

The weighted average number of ordinary shares in issue for 2023 before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 as upon transformation into a joint stock company in October 2024.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculations of basic and diluted loss per share are based on:

	Year ended 31 December	
	2023	2024
Loss		
Loss attributable to equity holders of the parent, used in the basic loss per share calculation *(RMB'000)*	(63,501)	(69,383)
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	66,236,178	71,517,158

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Furniture and fixtures	Motor vehicles	Machinery and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	19,482	897	970	648	24,923	3,013	49,933
Accumulated depreciation	(1,834)	(305)	(553)	(456)	(7,546)	—	(10,694)
Net carrying amount	17,648	592	417	192	17,377	3,013	39,239
At 1 January 2023, net of accumulated depreciation	17,648	592	417	192	17,377	3,013	39,239
Additions	—	1,830	541	1,497	9,091	30,727	43,686
Disposals	—	—	—	(18)	(87)	—	(105)
Transfers	—	—	—	—	3,446	(3,446)	—
Depreciation provided during the year	(935)	(252)	(230)	(229)	(3,300)	—	(4,946)
At 31 December 2023, net of accumulated depreciation	16,713	2,170	728	1,442	26,527	30,294	77,874
At 31 December 2023:							
Cost	19,482	2,727	1,511	1,795	37,318	30,294	93,127
Accumulated depreciation	(2,769)	(557)	(783)	(353)	(10,791)	—	(15,253)
Net carrying amount	16,713	2,170	728	1,442	26,527	30,294	77,874

	Buildings	Leasehold improvements	Furniture and fixtures	Motor vehicles	Machinery and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024							
At 1 January 2024:							
Cost	19,482	2,727	1,511	1,795	37,318	30,294	93,127
Accumulated depreciation	(2,769)	(557)	(783)	(353)	(10,791)	—	(15,253)
Net carrying amount	16,713	2,170	728	1,442	26,527	30,294	77,874
At 1 January 2024, net of accumulated depreciation	16,713	2,170	728	1,442	26,527	30,294	77,874
Additions	—	1,454	607	195	4,708	14,811	21,775
Disposals	(5)	—	(6)	—	(13)	—	(24)
Transfers	26,213	—	—	—	10,665	(36,878)	—
Depreciation provided during the year	(1,299)	(1,189)	(323)	(438)	(4,558)	—	(7,807)
At 31 December 2024, net of accumulated depreciation	41,622	2,435	1,006	1,199	37,329	8,227	91,818
At 31 December 2024:							
Cost	45,690	4,181	2,099	1,990	52,678	8,227	114,865
Accumulated depreciation	(4,068)	(1,746)	(1,093)	(791)	(15,349)	—	(23,047)
Net carrying amount	41,622	2,435	1,006	1,199	37,329	8,227	91,818

As at 31 December 2023 and 31 December 2024, the Group's property, plant and equipment with carrying values of RMB31,639,000 and RMB37,654,000 were pledged to secure the bank loans (note 24).

15. LEASES

The Group/Company as a lessee

The Group has lease contracts for land use rights and various items for office premises used in its operations. Land use rights generally have lease terms of 20 to 50 years and office premises generally have lease terms of 2 to 5 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Land use rights	Office premises	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
At 1 January 2023	3,029	568	3,597
Additions	—	5,563	5,563
Depreciation charge	(64)	(781)	(845)
Lease termination	—	(158)	(158)
At 31 December 2023	2,965	5,192	8,157

	Land use rights	Office premises	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2024			
At 1 January 2024	2,965	5,192	8,157
Additions	5,684	423	6,107
Depreciation charge	(159)	(1,402)	(1,561)
At 31 December 2024	8,490	4,213	12,703

As at 31 December 2023 and 31 December 2024, the Group's right-of-use assets with carrying values of RMB2,965,000 and RMB2,901,000 were pledged to secure the bank loans (note 24).

The Company

The Company has a lease contract for land used in its operations. Lease of land has a lease term of 20 years.

	Land use right
	RMB'000
31 December 2024	
At 1 January 2024	—
Additions	5,684
Depreciation charge	(95)
At 31 December 2024	5,589

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Carrying amount at 1 January	458	5,085
New leases	5,563	423
Accretion of interest recognised during the year	84	209
Lease payment	(841)	(1,395)
Lease termination	(179)	—
Carrying amount at 31 December	5,085	4,322
Analysed into:		
Current portion	993	1,358
Non-current portion	4,092	2,964

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Interest on lease liabilities	84	209
Depreciation charge of right-of-use assets	845	1,561
Expense relating to short-term and low-value leases	343	460
Total amount recognised in profit or loss	1,272	2,230

16. INTANGIBLE ASSETS

The Group

	Patents and licences	**Software**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
At 1 January 2023:			
Cost	334	403	737
Accumulated amortisation	(61)	(86)	(147)
Net carrying amount	273	317	590
At 1 January 2023, net of accumulated amortisation	273	317	590
Additions	9	130	139
Amortisation provided during the year	(28)	(83)	(111)
At 31 December 2023, net of accumulated amortisation	254	364	618
At 31 December 2023:			
Cost	343	533	876
Accumulated amortisation	(89)	(169)	(258)
Net carrying amount	254	364	618

	Patents and licences	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2024			
At 1 January 2024:			
Cost	343	533	876
Accumulated amortisation	(89)	(169)	(258)
Net carrying amount	254	364	618
At 1 January 2024, net of accumulated amortisation	254	364	618
Additions	70	396	466
Amortisation provided during the year	(33)	(137)	(170)
At 31 December 2024, net of accumulated amortisation	291	623	914
At 31 December 2024:			
Cost	413	929	1,342
Accumulated amortisation	(122)	(306)	(428)
Net carrying amount	291	623	914

17. INVENTORIES

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Raw materials	3,445	4,148
Work in progress	1,840	1,059
Finished goods	1,664	1,473
Total	6,949	6,680

At 31 December 2023 and 2024, the Group had no inventory pledged as collateral for the Group's bank loans.

18. TRADE RECEIVABLES

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Trade receivables	947	1,007
Impairment	(691)	(758)
Net carrying amount	256	249

The Group's trading terms with its customers are mainly settled on an advance receipt basis. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Within 1 year	254	243
1 to 2 years	2	6
Total	256	249

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
At beginning of year	134	691
Impairment losses, net *(note 7)*	557	67
At end of year	691	758

In determining the amount of the allowance for excepted credit losses, the Group considers historical collectability, lifetime of the accounts receivable balances, credit quality of the Group's customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect the Group's ability to collect from customers.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	31 December 2023		
	Gross carrying amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000	*%*	*RMB'000*
Less than 1 year	315	19.05	60
1 to 2 years	21	95.24	20
2 to 3 years	467	100.00	467
More than 3 years	144	100.00	144
Total	947	72.97	691

	31 December 2024		
	Gross carrying amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000	*%*	*RMB'000*
Less than 1 year	311	21.86	68
1 to 2 years	68	91.18	62
2 to 3 years	17	100.00	17
More than 3 years	611	100.00	611
Total	1,007	75.27	758

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Non-current:		
Prepayments for long-term assets	1,138	101
Rental deposits	310	358
Value-added tax recoverable	5,363	3,366
Total	6,811	3,825
Current:		
Prepayments for raw materials	721	868
Value-added tax recoverable	1,864	3,483
Deferred **[REDACTED]** expense	—	**[REDACTED]**
Other receivables	1,451	1,390
Total	4,036	6,051

The Company

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Non-current:		
Value-added tax recoverable	2	124
Current:		
Deferred **[REDACTED]** expense	—	**[REDACTED]**
Other receivables	—	130
Total	—	440
Due from a subsidiary	37,000	22,650

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. In addition, there was no significant change in the economic factors based on the assessment of the forward-looking information, so the directors of the Company are of the opinion that the ECLs in respect of these balances are minimal. The balances are interest-free and are not secured with collateral.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Structured deposit	15,000	—
Wealth management products	1,000	—
Total	16,000	—

The Company

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Structured deposit	15,000	—

The above structured deposit and wealth management products are issued by banks in Chinese Mainland. 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.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

The Group

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Cash and bank balances	28,214	36,487
Less:		
Restricted bank deposits*	10,800	3,290
Cash and cash equivalents	17,414	33,197

Cash and cash equivalents and restricted bank deposits are dominated in RMB.

The Company

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Cash and bank balances	7,331	26,416
Cash and cash equivalents	7,331	26,416

Cash and cash equivalents are dominated in RMB.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

* As at 31 December 2023 and 2024, the restricted cash of RMB10,800,000 and RMB3,290,000 were the loans that have been drawn down but yet available for use subject to certain approval process and such restriction was released in January 2024 and January 2025, respectively.

22. TRADE PAYABLES

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	534	533
3 to12 months	31	18
Over 1 year	71	19
Total	636	570

The trade payables are non-interest-bearing and payable on demand, which are normally settled on terms of one to three months.

23. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Non-current:		
Advance receipts for exclusive distribution rights	20,000	—
Payables for motor vehicles	—	179
Total	20,000	179
Current:		
Advance receipts for exclusive distribution rights	30,000	110,000
Accrued expenses for research and development services	7,060	9,840
Other tax payables	226	309
Payroll payable	3,731	5,385
Payables for purchase of items of property, plant and equipment	2,330	3,749
Accrued **[REDACTED]** expenses	—	**[REDACTED]**
Other payables	2,966	1,878
Total	46,313	131,346

The Company

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Non-current:		
Payables for motor vehicles	—	179
Current:		
Payroll payable	68	370
Accrued **[REDACTED]** expenses	—	**[REDACTED]**
Other payables	9	46
Payables for purchase of items of property, plant and equipment	—	556
Tax payable	3	11
Total	80	1,168
Due to a subsidiary	5,050	—

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals as at the end of each of the Relevant Periods approximated to their fair values due to their short-term maturities.

24. INTEREST-BEARING BANK BORROWINGS

The Group

	As at 31 December					
	2023			2024		
	Effective interest rate (%)	*Maturity*	*RMB '000*	*Effective interest rate (%)*	*Maturity*	*RMB '000*
Current:						
Bank loans — secured*	4.1	2024	5,006	3.5	2025	6,023
Bank loans — unsecured			—	3.5	2025	10,011
Bank loans — secured* *(note (a))*	3.6-4.5	On demand	33,834	3.6-4.2	On demand	28,820
Bank loans — unsecured *(note (a))*			—	3.4-3.6	On demand	12,493
Total			38,840			57,347

Note (a): As at the end of each of the Relevant Periods, pursuant to some of the Group's borrowings' agreements, bank loans amounting to RMB10,812,000 and RMB20,022,000, respectively, were default as they did not meet certain banks' financial covenants, and triggered a default of additional bank loans amounting to RMB23,022,000 and RMB21,291,000, respectively, due to the cross-default clause. All default and cross-default borrowings are then repayable on demand and are presented under current liabilities in the Group's consolidated statement of financial position at the end of each of the Relevant Periods.

* The Group's bank loans are non-trade in nature and are secured by:

(i) mortgages over the Group's property, plant and equipment, which had net carrying values of approximately RMB31,639,000 and RMB37,654,000 as at 31 December 2023 and 31 December 2024 (note 14); and

(ii) mortgages over the Group's right-of-use assets, which had net carrying values of approximately RMB2,965,000 and RMB2,901,000 as at 31 December 2023 and 31 December 2024 (note 15).

Certain of the Group's bank loans are guaranteed by related parties and third parties as follows:

(i) Shuyang Economic Development Zone Financing Guarantee Co., Ltd., a third party, has guaranteed a bank loan of RMB10,000,000 as at 31 December 2023.

(ii) Jiangsu Credit Re-guarantee Group Co., Ltd., a third party, has guaranteed a bank loan of RMB5,000,000 as at 31 December 2023.

(iii) Zhang Tianming, a related party, Zhang Gaoming, Zhang Chunming and Yang Jie, close family members of Zhang Tianming, have made a guarantee for a bank loan of RMB5,000,000 as at 31 December 2023.

(iv) Suqian Tongchuang Credit Financing Guarantee Co., Ltd., a third party, has guaranteed a bank loan of RMB10,000,000 as at 31 December 2024.

(v) Zhang Xinming, a related party, Chen Ping, a close family member of Zhang Xinming, have made a guarantee for a bank loan of RMB13,000,000 as at 31 December 2023 and RMB24,000,000 as at 31 December 2024.

All bank loans are denominated in RMB.

25. CONTRACT LIABILITIES

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Advances from customers		
Sales of medical-related products	4,242	1,670
Provision of medical R&D and consulting services	1,482	374
	5,724	2,044
Analysed for reporting purposes as:		
Current liabilities	5,724	2,044

26. DEFERRED TAX

The Group

The movements in deferred tax assets during the Relevant Periods are as follows:

	Lease liabilities
	RMB'000
As at 1 January 2023	69
Credited to profit or loss	694
As at 31 December 2023	763
As at 31 December 2023 and 1 January 2024	763
Charged to profit or loss	(132)
As at 31 December 2024	631

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	Right-of-use assets
	RMB'000
As at 1 January 2023	85
Charged to profit or loss	694
As at 31 December 2023	779
As at 31 December 2023 and 1 January 2024	779
Credited to profit or loss	(147)
As at 31 December 2024	632

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December	
	2023	2024
	RMB'000	*RMB'000*
Net deferred tax liabilities recognised in the consolidated statement of financial position	16	1

Deferred tax assets have not been recognised in respect of the following items:

The Group

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Tax losses	11,078	21,942
Deductible temporary differences	431	535
	11,509	22,477

The Company

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Tax losses	50	843

The Group has accumulated tax losses in Chinese Mainland of RMB11,078,000 and RMB21,942,000 in aggregate as at 31 December 2023 and 2024, respectively, which will expire in one to ten years to offset against future taxable profits of the companies in which losses were incurred. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

27. SHARE CAPITAL/PAID-IN CAPITAL

Share capital

A summary of movements in the share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2024	—	—
Issue of ordinary shares upon conversion into a joint stock company of RMB1 each*	71,517,158	71,517
At 31 December 2024	71,517,158	71,517

Paid-in capital

Summary of movements in the paid-in capital is as follows:

	Paid-in capital
	RMB'000
At 1 January 2023	64,706
Capital contribution by shareholders**	6,811
As at 31 December 2023	71,517
Conversion into a joint stock company*	(71,517)
As at 31 December 2024	—

* In December 2024, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including the paid-in capital, capital reserves and accumulated losses, amounting to RMB124,559,000 were converted into 71,517,000 ordinary shares of RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve.

** During the year ended 31 December 2023, the Company received capital contributions of RMB60,000,000 from four investors. The capital contributions increased the paid-in capital and capital reserve by RMB6,811,000 and RMB53,581,000, respectively.

28. 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.

(i) Capital reserve

The capital reserve of the Group represents the difference between the value of the paid-up capital and the consideration received.

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as follows:

	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	—	—	—
Loss for the year	—	(200)	(200)
Capital contribution by shareholders	53,581	—	53,581
At 31 December 2023 and 1 January 2024	53,581	(200)	53,381
Loss for the year	—	(3,174)	(3,174)
Conversion into a joint stock company	(539)	539	—
At 31 December 2024	53,042	(2,835)	50,207

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023 and 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB5,563,000 and RMB423,000, respectively, in respect of lease arrangements for offices premises.

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Accrued [REDACTED] expenses included in other payables	Interest-bearing bank borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	458	**[REDACTED]**	15,000	15,458
Changes from financing cash flows	(841)	**[REDACTED]**	22,671	21,830
New leases entered into during the year	5,563	**[REDACTED]**	—	5,563
Lease termination	(179)	**[REDACTED]**	—	(179)
Accretion of interest	84	**[REDACTED]**	1,169	1,253
At 31 December 2023 and 1 January 2024	5,085	**[REDACTED]**	38,840	43,925
Changes from financing cash flows	(1,395)	**[REDACTED]**	17,132	15,455
New leases entered into during the year	423	**[REDACTED]**	—	423
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Accretion of interest	209	**[REDACTED]**	1,375	1,584
At 31 December 2024	4,322	**[REDACTED]**	57,347	61,697

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December	
	2023	2024
	RMB'000	*RMB'000*
Within operating activities	343	460
Within financing activities	841	1,395
	1,184	1,855

30. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods.

	Year ended 31 December	
	2023	2024
	RMB'000	*RMB'000*
Contracted, but not provided for:		
— Purchase of items of property, plant and equipment	16,078	53,623

31. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the Relevant Periods：

(a) Name and relationship

The directors of the Group are of the opinion that the following name and relationships are related parties that had transactions or balances with the Group during the Relevant Periods.

Name	Relationship with the Group
Beijing Sun-Novo and its subsidiaries ("**Beijing Sun-Novo Group**")	Controlled by Mr. Li Oian, non-executive Director and thus an associate of the Director.
Ms. Luo Qun	Supervisor
Mr. Zhang Xinming	Director and chief executive
Mr. Zhang Tianming	General manager of Jiangsu Xihong, executive director and general manager of Jiangsu Hongjun, and executive director and general manager of Suqian Yanmei

(b) The Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Rental fee		
Ms. Luo Qun	39	156
Purchase of CRO Services		
Beijing Sun-Novo Group	5,915	8,623

(c) Outstanding balances with related parties

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Other payables and accruals		
Beijing Sun-Novo Group	2,887	4,566

(d) Other transactions with related parties

Details of the Group's bank loans are guaranteed by related parties are included in note 24 to the Historical Financial Information.

(e) Compensation of key management personnel of the Group:

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	1,381	3,267
Performance related bonuses	750	1,508
Pension scheme contributions	141	251
Total compensation paid to key management personnel	2,272	5,026

Further details of directors', the chief executive's and supervisors' emoluments are included in note 9 to the Historical Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	2023	2024
	RMB'000	*RMB'000*
Financial assets at FVTPL:		
Structured deposit	15,000	—
Wealth management products	1,000	—
Total	16,000	—
Financial assets at amortised cost:		
Trade receivables	256	249
Financial assets included in prepayments and other receivables	1,761	1,618
Restricted bank deposit	10,800	3,290
Cash and cash equivalents	17,414	33,197
Total	30,231	38,354

Financial liabilities

	2023	2024
	RMB'000	*RMB'000*
Financial liabilities at amortised cost:		
Trade payables	636	570
Financial liabilities included in other payables and accruals	62,356	125,831
Interest-bearing bank borrowings	38,840	57,347
Lease liabilities	5,085	4,322
Total	106,917	188,070

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair value	
	As at 31 December		As at 31 December	
	2023	2024	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL	16,000	—	16,000	—

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	—	1,000	15,000	16,000

During the Relevant Periods, 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.

The movements in fair value measurements within Level 3 during the year are as follows:

Financial assets at FVTPL	2023	2024
	RMB'000	*RMB'000*
At beginning of year	—	15,000
Purchase	15,000	—
Disposal	—	(15,097)
Total gains recognised in other income and gains	—	97
At end of year	15,000	—

Below is a summary of significant unobservable inputs to the valuation of redemption liability on equity shares together with an analysis as at 31 December 2023.

	Valuation technique	Significant unobservable inputs	Range (probability-weighted average)	Sensitivity of the input to the fair value
Financial assets at FVTPL. .	Discounted cash flow method	Expected rate of return	2.205%	10% increase/decrease in expected rate of return would result in increase/decrease in fair value by RMB5,000/ (RMB5,000)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as cash and bank balances, trade receivables, trade payables, other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. As at the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 57% and 49% of the Group's trade receivables were due from the Group's largest customer, and 76% and 82% of the Group's trade receivables were due from the Group's five largest customers, respectively. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk.

Management has assessed that during the Relevant Periods, other receivables have not had a significant increase in credit risk since initial recognition. Thus, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. The management of the Company expect the occurrence of losses from non-performance by counterparties of other receivables to be remote and no provision for bad debts was made for other accounts receivable.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

	As at 31 December 2023				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	—	—	947	947
Financial assets included in prepayments, other receivables and other assets	1,761	—	—	—	1,761
Restricted bank deposit	10,800	—	—	—	10,800
Cash and cash equivalents	17,414	—	—	—	17,414
	29,975	—	—	947	30,922

	As at 31 December 2024				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	—	—	1,007	1,007
Financial assets included in prepayments, other receivables and other assets	1,618	—	—	—	1,618
Restricted bank deposit	3,290	—	—	—	3,290
Cash and cash equivalents	33,197	—	—	—	33,197
	38,105	—	—	1,007	39,112

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities 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 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	636	—	—	—	—	636
Financial liabilities included in other payables and accruals	16,313	30,000	20,000	—	—	66,313
Lease liabilities	—	1,391	1,457	1,352	1,931	6,131
Interest-bearing bank borrowings*	33,834	5,069	—	—	—	38,903
	50,783	36,460	21,457	1,352	1,931	111,983

	As at 31 December 2024					
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	570	—	—	—	—	570
Financial liabilities included in other payables and accruals	21,167	110,065	65	49	—	131,346
Lease liabilities	—	1,677	1,375	1,368	563	4,983
Interest-bearing bank borrowings*	41,313	16,345	—	—	—	57,658
	63,050	128,087	1,440	1,417	563	194,557

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
Total assets	148,915	158,727
Total liabilities	116,614	195,809
Asset-liability ratio	78%	123%

35. EVENTS AFTER THE RELEVANT PERIODS

On 17 February 2025, 721,000 shares of the Company were granted to certain eligible participants under the share incentive scheme through the interests holding of the Company by holding partnership interest in the Group's employee incentive platform, namely Ningbo Qianhui Enterprise Management Partnership (Limited Partnership), at the exercise price of RMB3.5 per share, with vesting periods of 36 months since the completion of the **[REDACTED]** of Company's shares. The Group is in the process of making an assessment of the financial impact of the above grant of shares.

The Group completed Series A Financing by receiving RMB90,000,000 during the period from 28 March 2025 to 3 April 2025, increased in registered capital of RMB4,610,946 with 6% of shares at the price of RMB19.52 per share.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2024.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this document, and is included herein for information purposes only. The unaudited **[REDACTED]** *financial information should be read in conjunction with the "Financial Information" section in this document and the Accountants' Report set out in Appendix I to this document.*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 28 February 2025 of the selected property interest held by Eastenova (Chengdu) Biotechnology Co., Ltd.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place
979 King's Road Hong Kong
Tel: +852 2846 5000 Fax: +852 2169 6001
Company Licence No.: C-030171

[•] 2025

The Board of Directors
Eastenova (Chengdu) Biotechnology Co., Ltd.
No. 111, Youxian Road
Wenjiang District
Chengdu City
Sichuan Province
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the selected property interest held by Eastenova (Chengdu) Biotechnology Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 28 February 2025 (the "**valuation date**").

The selected property interest forms part of non-property activities that each property has a carrying amount of 15% or more of the Group's total assets and therefore the valuation of the property interest is required to be included in this document.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued by the Cost Approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality have been considered. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of Real Estate Title Certificate, Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permits and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Zhong Lun Law, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in March 2025 by Ms. Peiling Cai who has obtained a master degree in Real Estate and has 6 years' valuation experience in the real estate industry of the PRC.

Climate change, sustainability, resilience, and ESG are increasingly influencing investment approaches as they may affect prospects for rental and capital growth, and susceptibility to obsolescence. Properties that do not meet the sustainability characteristics expected in the market may represent a higher investment risk, particularly as occupiers become more conscious of ESG impacts on operational workspace, which could impact on vacancy and rental levels. This view is supported by RICS in their recently published guidance note "Sustainability and ESG in commercial property valuation and strategic advice (2nd Edition)."

While some of the sustainability and ESG initiatives are considered subjective and intangible, they cannot always be demonstrated with quantifiable evidence. Based on our research and local market knowledge, there is not yet any direct and tangible evidence of ESG being reflected in specific investment behaviours and/or pricing considerations for assets of a similar nature to the subject property, although it is acknowledged that ESG criteria is forming part of an increasing number of investment mandates. However more tangible benefits such as energy efficiency are

realisable in operational costs. We have not undertaken full asset and market investigations in this regard. Whilst there is currently no direct and tangible evidence to suggest that the market is making pricing adjustments for ESG, we will continue to monitor market movements and sentiment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS R.P.S. (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 31 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Selected property interest held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2025
			RMB
2 parcels of land, 3 buildings and various structures, and an ancillary building under construction located at No. 20 Wenzhou Road National Economic Development Zone Shuyang County Suqian City Jiangsu Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 32,338.00 sq.m. and 3 buildings and various ancillary structures erected thereon which were completed between February 2019 and January 2023. The 3 buildings have a total gross floor area of approximately 15,160.77 sq.m., which are industrial buildings for research & development, production, storage, office and canteen uses. The structures mainly include boundary walls, carport and roads. Apart from the completed buildings mentioned above, the property also comprises an ancillary building which was under construction (the "**CIP**") as at the valuation date. The CIP is scheduled to be completed in May 2025. Upon completion, the CIP will have a gross floor area of approximately 2,897.00 sq.m., which is an industrial building for office, canteen and dormitory uses. The land use rights of the property have been granted for terms with the expiry dates on 4 June 2068 and 15 January 2073 for industrial use.	As at the valuation date, the completed portion of the property was occupied by the Group for research & development, production, storage, office and canteen purposes and the remaining portion of the property was under construction.	56,000,000

Notes:

1. Pursuant to 2 Real Estate Title Certificates — Su (2018) Shu Yang Xian Bu Dong Chan Quan Di No. 0029380 and Su (2024) Shu Yang Xian Bu Dong Chan Quan Di No. 0164568, the land use rights of the property with a total site area of approximately 32,338.00 sq.m. have been granted to Jiangsu Xihong Biopharmaceutical Co., Ltd. ("**Jiangsu Xihong**", 江蘇西宏生物醫藥有限公司, a direct wholly-owned subsidiary of the Company) for terms with the expiry dates on 4 June 2068 and 15 January 2073 for industrial use. The 3 buildings of the property with a total gross floor area of approximately 15,160.77 sq.m. are owned by Jiangsu Xihong for industrial use.

2. Pursuant to 2 State-owned Land Use Rights Grant Contracts — 3213222018CR0028 and 3213222022CR0051, the land use rights of the property with a total site area of approximately 32,338.00 sq.m. were contracted to be granted to Jiangsu Xihong for a term of 50 years commencing from the land delivery date. The total land premium was RMB3,104,000.

3. Pursuant to 2 Construction Land Planning Permits — Shu Kai Di Zi Di Nos. T2017003 and T2021024, permission towards the land planning of the property with a total site area of approximately 47.56 mu has been granted to Jiangsu Xihong.

4. Pursuant to 2 Real Estate Title Certificates (for land) — Su (2018) Shu Yang Xian Bu Dong Chan Quan Di No. 0020684 and Su (2023) Shu Yang Xian Bu Dong Chan Quan Di No. 0010371, the land use rights of the property with a total site area of approximately 32,338.00 sq.m. have been granted to Jiangsu Xihong for terms expiring on 4 June 2068 and 15 January 2073 for industrial use.

5. Pursuant to 3 Construction Work Planning Permits — Shu Kai Jian Zi Di No. 2017011, Shu Kai Jian Zi Di Fu No. 2022007 and Jian Zi Di No. 3213222024GG0052468, in favour of Jiangsu Xihong, the property with a total gross floor area of approximately 18,207.30 sq.m. (inclusive of the CIP of the property) have been approved for construction.

6. Pursuant to 3 Construction Work Commencement Permits — Nos. 321386202203040101 and 321322202406190101, and Shu Kai No. 32132220170013 in favour of Jiangsu Xihong, permission by the relevant local authority was given to commence the construction of the property with a total gross floor area of approximately 18,103.85 sq.m. (inclusive of the CIP of the property).

7. As advised by the Company, the construction cost of the CIP of the property is estimated to be approximately RMB6,000,000, of which approximately RMB4,000,000 had been paid up to the valuation date.

8. The replacement cost of the CIP of the property as if completed as at the valuation date is RMB6,300,000 which are referenced to similar project construction cost in the market and major cost items include material cost, construction cost, professional fee and profits.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   (a) Pursuant to 2 Mortgage Contracts, the land use rights and building ownership rights of portions of the property mentioned in note 1 are subject to 2 mortgages in favour of 2 independent third parties;

   (b) The Company is legally and validly in possession of the property. The Company has the rights to occupy, use, lease, transfer or otherwise dispose of the land use right and building ownership rights of the property mentioned in note 1 and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the mortgage portion of the property; and

   (c) The Company has obtained relevant requisite approvals for the construction work of the CIP of the property from the relevant government authorities.

10. As the property is the major asset held by the Group, we are of the view that the property is a material property. Details of the material property

a)	General description of location of the property	:	The property is located at No. 20 Wenzhou Road, National Economic Development Zone, Shuyang County, Suqian City, Jiangsu Province, the PRC. It is surrounded by Industrial Zones. The property is close to Wenzhou Road and Yuhuan Road, enjoying convenient accessibility and is well served by public transportation, such as bus route Shuyang Nos. 102 and 303. East Shuyang Bus Station is about 15 minutes' driving distance away from the property.
b)	Details of encumbrances, liens, pledges, mortgages against the property	:	Pursuant to a Mortgage Contract — No. DY131223000170, the land use rights of portion of the property with a site area of approximately 13,973.00 sq.m. and the building ownership rights of portions of the property with a planned gross floor area of approximately 8,006.15 sq.m. are subject to a mortgage as a security in favour of Bank of Jiangsu Co., Ltd. Suqian Branch for bank loan at a maximum amount of RMB16,000,000 with the security term from 1 November 2023 to 23 October 2026. Pursuant to a Mortgage Contract — No. HTC320777200ZGDB2023N007, the land use rights of remaining portion of the property with a site area of approximately 18,365.00 sq.m. and the building ownership rights of portions of the property with a total gross floor area of approximately 7,387.14 sq.m. are subject to a mortgage as a security in favour of China Construction Bank Shuyang Branch for bank loan at a maximum amount of RMB16,356,500 with the security term from 12 December 2023 to 11 December 2026.

c)	Environmental Issue	:	As advised by the Group, according to the Document issued by Shuyang County Environmental Protection Bureau - Shu Huan Shen (2017) No. 30, according to the opinion letter of Environmental Impact Statement for the Class I Medical Device Production and Sales Project of Jiangsu Xihong, the construction of the subject project at a proposed location in the northern side of Wenzhou Road and the western side of Chaiyi Canal, Economic Development Zone, Shuyang County has passed the acceptance on 26 April 2018.
d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil.
e)	Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Company, except for the CIP of the property, the Company has no future plans for construction, renovation, improvement and development of the property.

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change, and does not constitute legal or tax advice. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of the Latest Practicable Date, which is subject to change and may have retrospective effect.

The PRC Taxation

A. Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) (the "**IIT Law**"), which was latest amended on August 31, 2018 and came into effect on January 1, 2019, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》), which was latest amended on December 18, 2018 and came into effect on January 1, 2019, dividends distributed by PRC enterprises are subject to PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by applicable tax treaty.

Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得税若干政策問題的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》) (Cai Shui [2015] No. 101) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC on September 7, 2015 and came into effect on September 8, 2015, where an individual holds more than one year of the shares of a listed company obtained from the public offering and transfer of the stock market of the listed company, the dividend and bonus income shall be temporarily exempted from individual income tax. Where

an individual acquires shares of a listed company from the public offering and transfer of the stock market by the listed company, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), signed on August 21, 2006, the PRC Government has the authority to impose taxes on dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. However, if a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company.

The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), in effect since December 6, 2019, states that such treaty benefits shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit. Exceptions are made when such benefits align with the Arrangement's relevant objectives and goals.

Additionally, the application of the dividend clause of tax agreements is bound by the stipulations outlined in the PRC tax laws and regulations, including the guidelines specified in the Notice of the State Taxation Administration on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81), in effect since February 20, 2009. Compliance with these regulations is essential in determining the taxation applicable to dividends under the Arrangement.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "**EIT Law**") enacted by the National People's Congress ("**NPC**") on March 16, 2007, and enforced from January 1, 2008, subsequently amended on February 24, 2017, and December 29, 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council on December 6, 2007, and effective from January 1, 2008, amended in 2019, a non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident

enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. Such withholding tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation. Such withholding tax payable by non-resident enterprises is deducted at source, where the payer, as the obligor for the withholding tax, is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding and Remitting of Corporate Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the STA on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas nonresident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Nonresident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394), which was issued by the STA and implemented on July 24, 2009, further provides that any PRC-resident enterprise listed on overseas stock exchanges must withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to nonresident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with the relevant jurisdictions, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government has the authority to impose taxes on dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company.

The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), in effect since December 6, 2019, states that such treaty benefits shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit. Exceptions are made when such benefits align with the Arrangement's relevant objectives and goals.

Additionally, the application of the dividend clause of tax agreements is bound by the stipulations outlined in the PRC tax laws and regulations, including the guidelines specified in the Notice of the State Taxation Administration on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81), in effect since February 20, 2009. Compliance with these regulations is essential in determining the taxation applicable to dividends under the Arrangement.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into agreements for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC has entered into Avoidance of Double Taxation Arrangements with a number of countries and regions including but not limited to Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the PRC tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the PRC tax authorities.

B. Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Under the guidelines outlined in the Notice on the Full Implementation of the Pilot Program for Transition from Business Tax to Value-Added Tax (《關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36) ("**Circular 36**"), effective from May 1, 2016, and subsequently amended on July 11, 2017, December 25, 2017, and March 20, 2019, individuals and entities conducting service transactions within the PRC are obligated to pay Value-Added Tax ("**VAT**"). "Sales of services within the PRC" are defined as transactions where either the service provider or the recipient is situated within the PRC.

Furthermore, Circular 36 specifies that the transfer of financial products, including the ownership transfer of marketable securities, is subject to a VAT rate of 6% on the taxable income. Taxable income, in this context, refers to the sales price balance after deducting the purchase price. This VAT obligation applies to both general and foreign VAT taxpayers. Notably, individuals are exempt from VAT obligations when engaging in the transfer of financial products.

As per the aforementioned regulations, non-resident individuals selling or disposing of H shares are exempt from VAT in the PRC. However, if the holders are non-resident enterprises, they may avoid VAT in the PRC only if the buyers of the H shares are individuals or entities located outside of the PRC. Conversely, the holders might be subject to VAT in the PRC if the buyers of the H shares are individuals or entities situated within the PRC.

Income Taxes

(a) Individual Investors

Under the IIT Law, gains arising from the transfer of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%. However, in accordance with the Circular of the Ministry of Finance ("**MOF**") and the STA on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家税務總局關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) (Cai Shui Zi [1998] No. 61), issued jointly by the MOF and STA on March 30, 1998, gains obtained by individuals from the transfer of shares of listed companies have been temporarily exempted from individual income tax since January 1, 1997.

However, on December 31, 2009, the MOF, the STA, and the CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知》) (Cai Shui [2009] No. 167). This circular, effective from January 1, 2010, stipulates that individuals' income derived from the transfer of listed shares acquired through public offerings and trading on the Shanghai Stock Exchange and the Shenzhen Stock Exchange remains exempt from individual income tax. This exemption applies to shares not subject to sales restrictions, as defined in the Supplementary Notice on Issues Concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) (Cai Shui [2010] No. 70), jointly issued by the three aforementioned departments and effective from November 10, 2010.

As of the Latest Practicable Date, there are no provisions expressly stating that individual income tax shall be imposed on non-PRC resident individuals for the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

(b) Enterprise Investors

In accordance with the EIT Law and the Implementation Regulations of the Enterprise Income Tax Law of the PRC, non-resident enterprises are typically subject to a 10% enterprise income tax on income sourced within the PRC. This includes gains realized from the disposal of equity interests in a PRC resident enterprise. However, this taxation applies only if the non-resident enterprise does not maintain a physical establishment or premises in the PRC, or if it does have such establishments in the PRC, but its PRC-sourced income is not genuinely connected with those establishments. The withholding of income tax for non-resident enterprises is executed at the source, with the entity making the payment acting as the withholding agent. This withholding agent is obliged to deduct the income tax from each payment or due payment made to the non-resident enterprise. It's important to note that the tax liability may be reduced or exempted in accordance with applicable tax treaties or agreements on the avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花税法》), as issued by the Standing Committee of the NPC on June 10, 2021 and came into effect on July 1, 2022, the PRC stamp duty is applicable to all kinds of documents which are legally binding in the PRC and protected by the PRC laws. Therefore, the PRC stamp duty does not apply to the acquisition or disposal of H Shares outside the PRC.

Estate Duty

Under prevailing PRC legislation, there is presently no imposition of estate duty within the jurisdiction.

Hong Kong Taxation

A. Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

B. Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the

maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. The gains of certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

C. Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties of the transfer is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

D. Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

2. FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi ("**RMB**"), which is currently subject to foreign exchange control and cannot be freely converted into foreign exchange. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (the "**Regulations on Foreign Exchange Administration**") which became effective on April 1, 1996. The Regulations on Foreign Exchange Administration classifies all international payments and transfers into current account

items and capital account items. Most of the current account items are no longer subject to the SAFE's approval, while capital account items are still subject to such approval. The Regulations on Foreign Exchange Administration were subsequently amended on January 14, 1997, and August 5, 2008. The latest amendment to the Regulations on Foreign Exchange Administration clearly states that PRC will not impose any restriction on international payments and transfers under the current account items.

On June 20, 1996, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "**Settlement Regulations**"), which became effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Reforming the RMB Exchange Rate Regime issued by the PBOC (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16) on July 21, 2005, starting from July 21, 2005, the PRC will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the RMB in the interbank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.

On 5 August 2008, the State Council promulgated the amended Regulations on Foreign Exchange Administration (the "**Amended Regulations on Foreign Exchange**") which made significant changes on the supervisory system for foreign exchange in the PRC. Firstly, the Amended Regulations on Foreign Exchange adopted balanced treatment on the inflow and outflow of foreign capital. Incomes in foreign currencies overseas can be remitted to the PRC or remained overseas, and foreign currencies of capital account items and funds for settlement in foreign currencies can only be used according to the purposes approved by relevant competent authorities and foreign exchange administration. Secondly, the Amended Regulations on Foreign Exchange improved the RMB exchange mechanism based on market supply and demand. Thirdly, the Amended Regulations on Foreign Exchange enhanced the monitoring of cross-border capital flow in foreign currencies, whereby the state could implement necessary protection or controlling measures on international balance of payments when material imbalance of income and expenses related to cross-border trading arise or might arise, or serious crises in the domestic economy occur or might occur. Fourthly, the Amended Regulations on Foreign Exchange enhanced the regulation and administration on foreign currency trading, and granted extensive authorization to the SAFE to enhance its supervisory and administrative capacity.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment from foreign exchange accounts opened at the designated foreign exchange banks, on the strength of valid transaction receipt or proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE promulgated and implemented the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), pursuant to which, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the PRC or deposited overseas, but the use of the proceeds shall be consistent with the contents as specified in the document and other disclosure documents.

According to the Notice of the SAFE 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》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015 and took effect on June 1, 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled, the foreign exchange registration under domestic direct investment and overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Administration of Foreign Exchange Settlement under Capital Accounts (《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》) (Hui Fa [2016] No. 16)

issued by the SAFE and came into effect on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. The proportion of discretionary settlement of domestic institutions' foreign exchange receipts under the capital account is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate time.

On January 26, 2017, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading; allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization; allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones; and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Circular of the State Administration of Foreign Exchange 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》) (Hui Fa [2019] No. 28), which, among other things, allows all foreign investment enterprises to use Renminbi converted from foreign currency denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

According to the Circular of the State Administration for Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated with effect from April 10, 2020, by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

The PRC Legal System

The PRC legal system is based on the Constitution of the PRC (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC Government is a signatory, and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "**Legislation Law**"), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, ecological civilization construction, historical and cultural protection, grassroots governance and other aspects according to the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations of cities with districts will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are

identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries, commissions of the State Council, the PBOC, the National Audit Office, institutions with administrative functions directly under the State Council, and other institutions stipulated by law may formulate rules and regulations within the power of their respective departments based on the laws, administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws, administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions and municipalities directly under the central government and cities divided into districts and autonomous regions may formulate rules, in accordance with laws, administrative regulations and relevant local regulations of provinces, autonomous regions and municipalities directly under the central government.

Pursuant to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the further clarification or supplement of laws or decrees should be interpreted by the SCNPC or provided by with decrees, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the application of other laws and decrees in matters other than those involved in trial or prosecution process should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations is vested in the regional legislative and administrative authorities which promulgate such laws and regulations.

The PRC Judicial System

Under the Constitution, the Law of Organization of the People's Courts of the PRC (2018 revision) (《中華人民共和國人民法院組織法(2018修訂)》) and the Law of Organization of the People's Procuratorate of the PRC (2018 revision) (《中華人民共和國人民檢察院組織法(2018修訂)》), the people's courts of the PRC are classified into the Supreme People's Court, the local people's courts at various levels, and other special people's courts. The local people's courts at various levels are divided into three levels, namely, the primary people's courts, the intermediate

people's courts and the higher people's courts. The primary people's courts may set up a number of people's tribunals based on the facts of the region, population and cases. The Supreme People's Court is the highest judicial authority. The Supreme People's Court shall supervise the judicial work of the local people's courts at all levels and special people's courts, and people's courts at higher levels shall supervise the judicial work of people's courts at lower levels. The Chinese People's Procuratorates are divided into the Supreme People's Procuratorate, local people's procuratorates at various levels, and specialized people's procuratorates such as the Military Procuratorate. The Supreme People's Procuratorate is the highest procuratorial organ. The Supreme People's Procuratorate directs the work of the local people's procuratorates and specialized people's procuratorates at all levels, and the people's procuratorates at higher levels direct the work of the people's procuratorates at lower levels.

The people's court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance of the people's court are final. The parties may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. The first judgments or rulings of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at the next higher level discovers an error in the final and binding judgment or ruling which has taken effect in any people's court at a lower level, or the presiding judge of a people's court discovers an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**PRC Civil Procedure Law**") adopted on April 9, 1991 and amended five times on October 28, 2007, August 31, 2012, June 27, 2017, December 24, 2021 and September 1, 2023 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. Each party to a civil action conducted within the PRC must comply with the relevant provisions of the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the

defendant's place of domicile, the places where the contract is executed or signed or the place where the object of the action is located. Meanwhile, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual, a person without nationality, a foreign enterprise and organization is given the same litigation rights and obligations as a citizen, a legal person and other organization of the PRC when initiating actions or defending against litigation at the people's court. Should a foreign court limit the litigation rights of citizens, a legal person, and other organizations of the PRC, the PRC court may apply the same limitations to the civil litigation rights to citizens, enterprises and organizations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise and organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at the people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement on the party.

Where a party applies for enforcement of a legally effective judgement or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgement or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, request recognition and enforcement by a foreign court. Similarly, where an effective judgment or ruling made by a foreign court needs to be recognized and enforced by the people's court of the PRC, unless the people's court considers that the recognition or enforcement of the judgment or ruling would violate the basic legal principles of the PRC, national sovereignty, national security or social and public interest, the parties involved may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement, or

the foreign court may, in accordance with the provisions of international treaties entered into or acceded to by that country and the PRC or according to the principle of reciprocity, request the people's court to recognize and enforce it.

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies

On February 17, 2023, CSRC promulgated the Trial Administrative Measures, which came into effect on March 31,2023 and is applicable to direct and indirect overseas share subscription and listing of domestic companies, which also stipulates the filing administrative measures and regulatory requirements for the overseas securities offering and listing by domestic companies.

The Guidelines for the Articles of Association of Listed Companies

On December 15, 2023, the CSRC Promulgated the latest amended Guidelines for the Articles of Association of Listed Companies" (the "**Guidelines for the Articles of Association**"). According to the Trial Administrative Measures and its supporting guidelines, Guidelines for the Application of Regulatory Rules — Overseas Listing Category No. 1, domestic enterprises that are directly listed overseas shall formulate its Articles of Association with reference to the Guidelines for the Articles of Association and other relevant provisions of the CSRC on main provisions of the PRC Company Law, the Trial Administrative Measures and the Guidelines for the Articles of Association.

The Company Law of the PRC

The Company Law of the People's Republic of China (hereinafter referred to as the "**PRC Company Law**") was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The newly revised PRC Company Law has be implemented on July 1, 2024.

A "joint stock limited company" refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to the total amount of all assets it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

The joint stock limited companies shall carry out business in compliance with the requirements of laws and administrative regulations. They may invest in other limited liability companies and joint stock limited companies, and its liabilities for an invested company are limited to the extent of its investment amount. Unless otherwise provided by laws, the joint stock limited companies shall not assume any joint liability for the debts of an invested company in its capacity as a capital contributor.

Incorporation

A company may be incorporated by promotion or raising. A company shall be incorporated by 1 to 200 promoters, provided that at least more than half of the promoters should reside in the PRC. The registered capital of a joint stock limited company shall be the capital stock of which the shares have been issued, registered with the company registration authority. Before the capital for the shares subscribed for by the promoters are paid in full, the company may not offer any share to others. If laws, administrative regulations and decisions of the State Council have separate provisions on the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall fully subscribe for the shares that shall be issued at the time of formation of the company as specified in the company's bylaw. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the Articles of Association, a Board of Directors and a Board of Supervisors shall be elected and the Board of Directors shall authorize a representative to apply to the company registration authority for incorporation within 30 days of conclusion of the company's formation meeting.

Where companies are incorporated by raising, not less than 35% of the total shares that shall be issued at the time of formation of the company as specified in the company's bylaw, unless otherwise provided for by laws or administrative regulations. A document shall be published and a subscription letter shall be prepared when the company offer shares to the public. The subscription letter shall be filled in by the subscriber with the number of shares to be subscribed, amount, address, and signed or sealed. The subscribers shall pay up monies for the shares in full amount according to the number of shares they has subscribed to. Where a company is offering shares to the public, such offer shall be underwritten by security companies established under PRC laws, and an underwriting agreement shall be concluded thereon. A company offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to

subscribers who have paid the subscription monies and furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall convene an formation meeting within 30 days of full payment of the shares that shall be issued at the time of formation of the company. The formation meeting shall be formed by the promoters and subscribers. Where the shares issued remain under subscribed by the cut-off date stipulated in the document, or where the promoter fails to convene an formation meeting within 30 days after the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the formation meeting, the Board of Directors shall authorize a representative to apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the company registration authority and a business license has been issued.

The promoters of a company shall:

(1) individually and jointly be liable for the payment of all liabilities and expenses incurred in the incorporation process if the company cannot be incorporated;

(2) individually and jointly be liable for the repayment of subscription monies to the subscribers together with interest at bank rates of a deposit for the same period if the company cannot be incorporated; and

(3) be liable for compensation of damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights or equities or claims which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The stocks representing par value shares may be issued at a price equal to or at a premium to their par value, but shall not be issued at a price below par value.

Increase In Share Capital

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares should be approved by shareholders' meeting; or under the articles of association of the company or the authorization of the shareholders' meeting, the Board of directors could decide to issue not more than 50% of the shares that have been issued within three years, provided that if the capital contributions are to be made using non-monetary property, they shall be subject to a resolution made by the shareholders' meeting. In addition, the Securities Law of the PRC (the "**PRC Securities Law**") also stipulates the following conditions for the company's public offering of new shares:

(1) have a sound organizational structure with satisfactory operating;

(2) have the capability of sustainable operation;

(3) have been issued with an unqualified opinion audit report by the auditor for the company's financial accounting documents in the latest three years;

(4) the issuer and its controlling shareholder(s) and actual controlling party do not have criminal record during the past three years for corruption, bribery, encroachment of assets, misappropriation of assets or disruption of socialist market economy order; and

(5) other conditions required by the securities administration department of the State Council as approved by the State Council. After the new shares issued by the company have been fully paid up, the change must be registered with the company registration authority and a public announcement shall be made.

Reduction of Share Capital

The Company shall reduce the registered capital in accordance with the following procedures as stipulated in the PRC Company Law:

(1) the company shall prepare a balance sheet and an inventory of properties;

(2) make a resolution at a shareholders' meeting to reduce the registered capital;

(3) the company shall notify its creditors within 10 days after making the resolution to reduce the registered capital and publish the relevant announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days;

(4) a creditor may, within 30 days after receipt of the notification, or within 45 days after the date of announcement if he/she has not received the notification, have the right to request the company to repay its debts or provide relevant guarantees; and

(5) the company must apply to the companies registration authority for a change in registration.

Repurchase of Shares

Under the provisions of the PRC Company Law, a company shall not repurchase its own shares except in the following circumstances:

(1) reduction of the registered capital of the company;

(2) merger with another company that holds its shares;

(3) use of its shares for carrying out an employee stock ownership plan or equity incentive plan;

(4) request from shareholders who object to a resolution of a shareholders' meeting on merger or division of the company to acquire their shares by the company;

(5) use of shares for conversion of convertible corporate bonds issued by the listed company; and

(6) it is necessary for a listed company to maintain its company value and protect its shareholders' equity.

A resolution of a shareholders' meeting is required for the repurchase of shares by a company under either of the circumstances stipulated in item (1) or item (2) above; for a company's repurchase of shares under any of the circumstances stipulated in item (3), item (5) or item (6) above, a resolution of a meeting of the Board of Directors shall be made by more than two-thirds of directors attending the meeting according to the provisions of the Company's Articles of Association or as authorized by the shareholders' meeting.

The shares acquired by the company according to the above provisions under the circumstance stipulated in item (1) hereof a company shall be deregistered within 10 days from the date of acquisition of shares; the shares shall be transferred or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (2) or item (4); and the shares in the company held in total by the company after the repurchase of shares under any of the circumstances stipulated in item (4), item (5) or item (6) shall not exceed 10% of the Company's total issued shares, and shall be transferred or deregistered within three years.

A listed company acquires its own shares shall perform their obligation of information disclosure according to the provisions of the PRC Securities Law. A listed company acquires its own shares under any of the circumstances stipulated in item (3), item (5) and item (6) hereof, shall be carried out trading in public and centralized manner.

A company shall not accept its own shares as the subject matter of a mortgage.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on the stock exchange established in accordance with laws or by any other means as required by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Following the transfer of registered shares, the company shall enter the names and domiciles of the transferee into its share register. Change of the register of members described in the preceding paragraph shall not be registered within 20 days before the convening of a shareholders' meeting or five days prior to the base date on which the company decides to distribute dividends. However, where there are separate provisions by laws, administrative regulations and the securities regulatory authority of the State Council on the

alternation of registration in the register of members of listed companies, those provisions shall prevail. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Pursuant to the PRC Company Law, shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on the stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on the stock exchange, nor within six months after they leave their positions in the company. The Articles of Association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Pursuant to the Trial Administrative Measures, for a domestic company directly offering and listing overseas, the shareholders of its domestic unlisted shares applying to convert its domestic unlisted shares into overseas listed shares and listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and appoint the domestic company to file with the CSRC.

Shareholders

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the rights of shareholders include the rights:

(1) to be legally entitled to assets income, participate in significant decision-making and select management personnel;

(2) to petition the people's court to revoke any resolution of a shareholders' meeting, a shareholders' meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, administrative regulations or the Articles of Association of the company, or any resolution the contents of which is in violation of the laws, administrative regulations or the Articles of Association of the company, provided that such petition shall be submitted to the people's court within 60 days of the passing of such resolution;

(3) to transfer his/her shares legally;

(4) to attend or appoint a proxy to attend shareholders' meetings and exercise the voting rights;

(5) to inspect the Articles of Association of the company, share register, counterfoil of company debentures, the minutes of shareholders' meetings, board resolutions, resolutions of the Board of Supervisors and the financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations;

(6) to consult the accounting books or accounting vouchers of the company where the shareholders who separately or aggregately hold 3% or more of the company's shares for 180 consecutive days or more;

(7) to receive dividends in respect of the number of shares held;

(8) to participate in the distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(9) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the Articles of Association of the company.

The obligations of shareholders include the obligation to abide by the Articles of Association of the company, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's responsibilities in respect of the shares taken up by them and any other shareholder obligation specified in the Articles of Association of the company.

Pursuant to the Trial Administrative Measures, a domestic company offering and listing overseas shall file with the CSRC as per requirement of this Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders, etc.

Shareholders' Meetings

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' meeting may exercise its powers:

(1) to elect or replace the directors and supervisors and to decide on the matters relating to the remuneration of directors and supervisors;

(2) to consider and approve the reports of the board of directors;

(3) to consider and approve the reports of the Board of Supervisors;

(4) to consider and approve the company's profit distribution and loss recovery proposals;

(5) to decide on any increase or reduction of the company's registered capital;

(6) to decide on the issue of corporate bonds;

(7) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(8) to amend the Articles of Association of the company; and

(9) to exercise any other authority stipulated in the Articles of Association of the company.

The shareholders' meeting may authorize the board of directors to make resolutions on the issuance of corporate bonds.

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, a shareholders' meeting is required to be held once a year within six months after the end of the previous accounting year. An extraordinary meeting is required to be held within two months upon the occurrence of any of the following:

(1) the number of directors is less than the number required by the law or less than two-thirds of the number specified in the Articles of Association of the company;

(2) the total outstanding losses of the company amounted to one-third of the company's total share capital;

(3) shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary meeting;

(4) the board of directors deems necessary;

(5) the Board of Supervisors so proposes; or

(6) any other circumstances as provided for in the Articles of Associations of the company.

A shareholders' meeting is convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his or her duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or is not performing his or her duties, a director jointly recommended by more than half of directors shall preside over the meeting. If the board of directors is unable to or fails to perform its duty of convening the shareholders' meeting, the Board of Supervisors shall convene and preside over such meeting in a timely manner; if the Board of Supervisors fails to convene and preside over such meeting, shareholders who individually or jointly hold more than 10% of the company's shares for more than 90 consecutive days may independently convene and preside over such meeting.

In accordance with the PRC Company Law, a notice stating the time and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting if the shareholders' meeting is convened. Notice of the extraordinary meeting shall be given to all shareholders 15 days before the meeting. Shareholders who individually or jointly hold more than one percent of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the shareholders' meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the meeting for deliberation. Unless the interim proposal violates the provisions of laws, administrative regulations, or the company's bylaw, or does not fall within the purview of the shareholders' meeting. The company shall not increase the percentage of shares required for shareholders to submit an interim proposal.

The contents of the interim proposal shall fall within the scope of powers of the shareholders' meeting, and the proposal shall provide clear agenda and specific matters on which resolutions are to be made. A company that publicly offers shares shall issue the notices prescribed in the preceding two paragraphs in the form of announcement.

According to the PRC Company Law, shareholders present at shareholders' meeting shall have one vote for each share they hold, save that the Company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting pursuant to the provisions of the Articles of Association of the company or a resolution of the shareholders' meeting. Under the accumulative voting system, when the shareholders' meeting elect directors or supervisors, each share has the same voting rights as the number of directors or supervisors to be elected, and the voting rights owned by shareholders can be used collectively.

Under the PRC Company Law, the passing of any resolution at the meeting requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the meeting except in cases of proposed amendments to a Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the meeting. Where the PRC Company Law and the Articles of Association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the Company and the other matters must be approved by way of resolution of the meeting, the Board of Directors shall convene a shareholders' meeting promptly to vote on such matters by shareholders' meeting. Shareholders may entrust a proxy to attend shareholders' meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

Minutes shall be prepared in respect of matters considered at the shareholders' meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A company shall have a board, which shall have three or more members. Members of the Board of Directors may include staff representatives, who shall be democratically elected by the Company's staff at a staff representative assembly, general staff meeting or otherwise. The term of office of the directors shall be provided for by the Articles of Association, but each term of office shall not exceed three years. A director may seek reelection upon expiry of the said term. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the Board of Directors may exercise the following powers:

(1) to convene shareholders' meetings and report on its work to the shareholders' meetings;

(2) to implement the resolutions passed by the shareholders at the shareholders' meetings;

(3) to decide on the Company's operational plans and investment proposals;

(4) to formulate the Company's proposals for profit distribution and for recovery of losses;

(5) to formulate proposals for the increase or reduction of the Company's registered capital and the issue of corporate bonds;

(6) to formulate proposals for the merger, division, dissolution of the Company or change in the form of the Company;

(7) to decide on the setup of the Company's internal management organs;

(8) to decide on appointment or dismissal the manager of the Company and his/her remuneration matters, and as nominated by the manager, to decide on appointment or dismissal the Company's deputy general manager and financial officer and his/her remuneration matters;

(9) to formulate the Company's basic management system; and

(10) other authority stipulated in the Articles of Association or conferred by the shareholders' meeting.

Meetings of the Board of Directors shall be convened at least twice a year. Notice of meeting shall be given to all Directors and Supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors or the Board of Supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the board meeting. The Board of Directors may otherwise determine the method of giving notice and notice period for convening an interim meeting of the board of directors. Meeting of the Board of Directors shall be held only if more than one half of the Directors are present. Resolutions of the Board of Directors shall be passed by more than one half of all Directors. Resolutions of the Board shall be passed on a one person one vote basis. The Directors shall attend a board meeting in person. If a director is unable to attend for any reasons, he/she may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf. The Board of Directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

If a resolution of the Board of Directors violates any laws, administrative regulations or the Articles of Association or resolutions of the meeting, and as a result of which the Company sustains serious losses, the directors participating in the resolution are liable to compensate the Company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a Director of the Company:

(1) devoid of or with restricted civil conduct ability;

(2) within five years after serving sentence for embezzlement, bribery, infringement or misappropriation of property, or for jeopardizing socialist market economic order, or within five years after serving sentence and being deprived of political rights for crime, or two years have not elapsed since the expiration of the probation period for suspended sentence, if applicable;

(3) within three years after insolvency and liquidation of such Company or enterprise where the person acted as a director, factory manager or business manager and has been held accountable for the insolvency;

(4) within three years after company or enterprise the person acted as legal representative is revoked business license and ordered to shut down for violating law on which the person is held accountable; and

(5) liable to large amount of unliquidated mature debts and listed as a dishonest party subject to enforcement by the people's court.

Where a company elects or appoints a director to which any of the above circumstances applies, such election, appointment or designation shall be invalid. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the Company.

Under the PRC Company Law, the Board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Board of Supervisors

The company shall have a Board of Supervisors composed of not less than three members. The Board of Supervisors shall consist of representatives of the shareholders and an appropriate proportion of representatives of the Company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the Articles of Association. Representatives of the Company's staff at the Board of Supervisors shall be democratically elected by the Company's staff at the staff representative assembly, general staff meeting or otherwise. The Board of Supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the Board of Supervisors shall be elected by more than half of all the supervisors. Directors and senior management shall not act concurrently as supervisors.

The chairman of the Board of Supervisors shall convene and preside over the Board of Supervisors meetings. Where the chairman of the Board of Supervisors is incapable of performing or is not performing his/her duties, the vice chairman of the Board of Supervisors shall convene and preside over the Board of Supervisors meetings. Where the vice chairman of the Board of Supervisors is incapable of performing or is not performing his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over the Board of Supervisors meetings.

The supervisors serve three-year terms. A supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors may exercise its powers:

(1) to review the company's financial position;

(2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders' meetings;

(3) when the acts of a director or senior management are detrimental to the company's interests, to require the director and senior management to correct these relevant acts;

(4) to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board fails to perform the duty of convening and presiding over shareholders' meetings under the PRC Company Law;

(5) to submit proposals to the shareholders' meetings;

(6) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and

(7) to exercise any other authority stipulated in the Articles of Association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board of directors. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

Pursuant to the relevant provisions of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who is responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorization of the board of directors. The manager shall be present at meetings of the board of directors.

According to the relevant provisions of the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the Articles of Association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the Articles of Association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

In the meantime, directors, supervisors and senior management are prohibited from:

(1) embezzling company property and misappropriating company's funds;

(2) depositing company funds into accounts under their own names or the names of other individuals;

(3) taking advantage of power to accept bribes or other illegal income;

(4) accept commissions from transactions between others and the company for their own benefits;

(5) unauthorized divulgence of confidential information of the company; and

(6) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes laws, administrative regulations or Articles of Association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish with relevant facts and information to the board of supervisors without obstructing the exercise of functions and powers by the board of supervisors or supervisors.

Where the directors and senior management violate laws, administrative regulations or the Articles of Association in performance of duties to the company, thereby causing damages to the company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. Where the supervisors violate the laws, administrative regulations or the Articles of Association in performance of duties resulting in any loss to the company, the aforementioned shareholder(s) may request in writing that the board of directors institute litigation at a people's court. Upon receipt of shareholders' written request stipulated in the preceding paragraph, if the board of supervisors or the board of directors refuses to file a lawsuit or does not file a lawsuit within 30 days from receipt of such request, or in the event of

emergency where the interest of the company will suffer irreparable damages if lawsuit is not filed immediately, the shareholders stipulated in the preceding paragraph shall have the right to file a lawsuit directly with the people's court in their own name for the interest of the company. For other parties who infringe the lawful interests of the company resulting in loss to the company, the aforementioned shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. If a director, supervisor, or officer of the company's wholly-owned subsidiary falls under the circumstances specified in the foregoing paragraph, or if another person infringes upon the legitimate rights and interests of the company's wholly-owned subsidiary, causing losses, a joint-stock company separately or aggregately hold 1% or more of the company's shares may, in accordance with the foregoing paragraph, request in writing the board of supervisors or board of directors of the wholly-owned subsidiary to file a lawsuit with the people's court, or directly file a lawsuit with the people's court in their own name. Where any director or senior management violates the provisions of laws, administrative regulations or the Articles of Association, damaging interests of shareholders, the shareholders may file a lawsuit with the people's court.

The Trial Administrative Measures stipulates that the filling materials for overseas listing of domestic enterprises shall be true, accurate and complete, and shall not contain false records, misleading statements or material omissions. Domestic enterprises and their controlling shareholders, de facto controllers, directors, supervisors and senior management shall fulfill their obligations of information disclosure in accordance with the law, be honest, trustworthy, diligent and responsible and ensure that the filling materials are true, accurate and complete.

Finance and Accounting

According to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the financial departments of the State Council. A company shall prepare its financial reports at the end of each accounting year which shall be audited by accounting firm according to law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council. The company's financial and accounting reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual meeting. A joint stock limited company that makes public stock offerings shall announce its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve fund. However, when the cumulative amount of the reserve fund has reached more than 50% of the PRC company's registered capital, it may no longer be allocated. When the company's statutory common reserve fund is not sufficient

to make up for the company's losses for the previous years, the current year's profits shall first be used to make up the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its after-tax profits, it may, upon passing a resolution at a shareholders' meeting, make further allocations from its after-tax profits to the discretionary common reserve fund. After the company has made up its losses and made allocations to its discretionary common reserve fund, the remaining after-tax profits shall be distributed to shareholders in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association.

Profits distributed to shareholders by a resolution of a shareholder's meeting or the board of directors before losses have been made up and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of its own shares held by it.

Proceeds from shares issued by a company at a price above their nominal value, proceeds of issuance of no par shares which have not been included in registered capital, and other revenues required by the financial departments of the State Council to be stated as capital reserve shall be accounted for as the capital reserve fund of the company. The common reserve fund of a company shall be applied to make up the company's losses, expand its production and operations or convert it into an increase in its capital. When the company's losses are covered with common reserves, the discretionary common reserve and the statutory common reserve shall first be used; if they are insufficient, the capital common reserve may be used according to the applicable provisions. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Dismissal of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the auditing of the company shall be determined by shareholders at a shareholders' meeting or the board of directors in accordance with the Articles of Association. The accounting firm should be allowed to make representations when the shareholders' meeting or the board of directors conducts a vote on the dismissal of the accounting firm. The company should provide

true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or misrepresentation of information.

The Trial Administrative Measures require that securities companies and law firms should conduct adequate verification of the filing materials of overseas listed enterprises.

Profit Distribution

According to PRC Company Law, a company shall not distribute profits before losses are covered and the statutory reserve fund is provided. At the same time, the Trial Administrative Measures stipulate that domestic enterprises may raise funds and pay dividends in foreign currencies or RMB for overseas listings.

Amendment to Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' meeting regarding any amendment to a company's Articles of Association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the Articles of Association approved by the resolution of the meeting of shareholders are subject to approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registrations hall be handled according to law. Where the amendments to the Articles of Association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

Dissolution and Liquidation

Pursuant to PRC Company Law, a company shall be dissolved for any of the following reasons:

(1) upon expiry of term of business stipulated in the Articles of Association or occurrence of other circumstances of dissolution stipulated in the Articles of Association;

(2) the shareholders' meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or division;

(4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(5) Where the company encounters serious difficulties in its operations or management that will lead to significant losses to the benefits of the shareholders if the company continues its existence and the situation cannot be resolved by other means, the company is dissolved by a people's court in response to the request of shareholders representing 10% or more of the voting rights of all shareholders of the company.

If the company has a cause of dissolution specified in the preceding paragraph, it shall publicize the cause of dissolution on the National Enterprise Credit Information Publicity System within ten days.

In the event of paragraph (1) above, the company may carry on its existence by amending its Articles of Association. The amendments to the Articles of Association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4) or (5) above, directors as persons with obligations of liquidation of the company should establish a liquidation group within 15 days of the date on which the dissolution matter occurs and commence the liquidation. The liquidation group shall be composed of directors, unless otherwise provided for by the company's bylaw or a resolution of the shareholders' meeting. The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group.

The liquidation group may exercise following powers during the liquidation:

(1) to verify the Company's assets and to prepare a balance sheet and an inventory of assets;

(2) to inform creditors by notice or announcement;

(3) to deal with and settle any outstanding business of relevant company;

(4) to pay all outstanding taxes and the taxes arising during the liquidation process;

(5) to settle claims and debts;

(6) to distributing the company's remaining assets after its debts have been paid off; and

(7) to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 60 days.

A creditor shall lodge his claim with the liquidation group within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

The creditors shall explain matters relating to their claims and provide evidential documents. The liquidation group shall register the creditor's claims. In the claims declaration period, the liquidation group shall not make repayment to the creditors.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan and submit this plan to a shareholders' meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance fees and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue its existence during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must file an application to a people's court for bankruptcy liquidation in accordance with the laws. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation of the company, the liquidation team shall prepare a liquidation report and submit it to the shareholders' meeting or a people's court for confirmation and the company registration authority to apply for cancelation of the company's registration, and an announcement of its termination shall be published. Members of the liquidation group are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation group shall be prohibited from abusing their authority in

accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation group are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default. Furthermore, liquidation of a company declared bankrupt according to laws shall be processed in accordance with the relevant laws on corporate bankruptcy.

Overseas Listing

According to the Trial Administrative Measures, the securities refer to stocks, depositary receipts, and corporate bonds that can be converted into stocks or other securities of an equity nature that are directly or indirectly offered and listed overseas by domestic companies. The direct overseas offering and listing of domestic companies refer to such overseas offering and listing of a joint stock limited company incorporated in the territory of PRC. The indirect overseas offering and listing of domestic companies refer to such overseas offering and listing made in the name of an offshore entity but based on the equity, assets, earnings, or other similar rights of a domestic company that operates its main business domestically.

The Trial Administrative Measures also provide the conditions for overseas offering and listing. An overseas offering and listing are prohibited under any of the following circumstances:

(1) the listing and financing fall under specific prohibiting in the laws, administrative regulations, and relevant national provisions;

(2) the overseas offering and listing may constitute endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law;

(3) the domestic company and its controlling shareholder(s), actual controllers, have a criminal record in recent three years for corruption, bribery, encroachment of assets, misappropriation of assets, or disruption of socialist market economy order;

(4) the domestic company is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached;

(5) there are material ownership disputes over the equities held by the controlling shareholders or the shareholders whose actions are controlled by the controlling shareholders or actual controllers.

In addition, under the Trial Administrative Measures, where a PRC domestic company submits an application for initial public offering to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted.

In the event of the occurrence of any of the following material events after the overseas offering and listing, the PRC domestic companies shall make a detailed report to the CSRC within three working days after the occurrence and public announcement of the relevant event:

(1) change in controlling rights;

(2) being subject to investigation, punishment, or other measures by overseas securities regulatory authorities or the relevant competent authorities;

(3) changing the listing status or transferring the listing board;

(4) voluntary or compulsory termination of a listing.

Pursuant to the Notice on Administrative Arrangements for Filing Concerning Overseas Issuance and Listings by Domestic Enterprises, which was promulgated by the CSRC on February 17, 2023 and came into effect on the same date, a domestic enterprise which has been issued and listed overseas before March 31, 2023 is defined as stock enterprise ("**stock enterprise**"). The stock enterprise shall not need to file immediately, but the enterprise shall file as required if it involves the file matters such as refinancing subsequently. For the purpose of the domestic enterprise that has been granted approval letter by the CSRC for the overseas public raised shares and listing (including issuance of additional shares) by a joint stock limited company, the domestic enterprise may continue to promote overseas issuing and listing upon the expiration of the validity of the approval letter. The domestic enterprise shall file as required if it has not completed overseas issuing and listing upon the expiration of the validity of the approval letter.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises, which was issued by the CSRC, the Ministry of Finance of the People's Republic of China, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and implemented since March 31, 2023, a domestic enterprise that provides or through its overseas listed entity, publicly discloses or provides to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any document and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and files with the secrecy administrative

department at the same level. A domestic enterprise that provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers and overseas regulators and individuals shall fulfill due procedures in compliance with applicable national regulations.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Division

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees.

Where a company merges with another company in which the former holds not less than 90% of the shares, the merged company is not required to adopt a resolution at the shareholders' meeting, but shall notify other shareholders, who have the right to request the company to acquire their equity or shares at a reasonable price. If the price paid for the merger of the companies is not more than 10% of the net assets of the company, it is not required to adopt a resolution at the shareholders' meeting, unless it is otherwise provided for in the articles of association of the company. For the merger of the companies as provided for in the foregoing provisions, a resolution of the board of directors shall be adopted instead of a resolution of the shareholders' meeting.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company after the merger. In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or the National Enterprise Credit Information Publicity System within 30 days. The liabilities of the

company which have accrued prior to the division shall be jointly borne by the separated companies, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating, and supervising all securities related institutions in the PRC, and administering CSRC. The CSRC is the regulatory executive body of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing, and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

The PRC Securities Law took effect on July 1, 1999, and was revised as at August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019, respectively. The latest revised PRC Securities Law took effect on March 1, 2020. The PRC Securities Law is the first national securities law in the PRC, comprehensively regulating activities in the PRC securities market. It is divided into 14 chapters and 226 articles, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies, and the responsibilities of the securities registration and settlement institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises issuing shares overseas directly or indirectly or listing their shares overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign-issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was enacted by the SCNPC on August 31, 1994, which became effective on September 1, 1995, and was amended on August 27, 2009, and September 1, 2017. The PRC Arbitration Law is applicable to, among other matters, economic disputes involving foreign parties where all parties had entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee, the making of an award on matters beyond the scope of the arbitration agreement, or the jurisdiction of the arbitration commission).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958, pursuant to a resolution passed by the SCNPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse recognition and enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the SCNPC declared that (I) the PRC would only apply the Convention to the recognition and enforcement of arbitral awards

made in the territories of other parties based on the principle of reciprocity; and (II) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An agreement has been reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. The Supreme People's Court of China issued the Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) on November 26, 2020, which went into effect on November 27, 2020. The arrangements reflect the spirit of the New York Convention. Pursuant to the arrangements, awards made by PRC arbitral authorities acknowledged by Hong Kong arbitration rules can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in mainland China. Where a court of the mainland China finds that enforcement in the mainland China of the ruling made by the Hong Kong arbitral authority will violate public interests of the mainland China, execution of the ruling may be ignored.

OVERVIEW

This Appendix contains the summary of the principal provisions of the Articles of Association. The main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association of the Company and therefore may not contain all information that is important to potential investors. The full text of the Articles of Association is available for inspection in Chinese as described in the section "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VIII to the document.

SHARES

Issuance of Shares

The Shares of the Company shall take the form of share certificates.

The Company shall issue Shares in an open, equitable and fair manner, and each of the Shares in the same class shall carry the same rights. The unlisted Shares and overseas listed foreign Shares issued by the Company shall have equal rights in the distribution of dividend (including cash and in-kind distributions) or distribution in any other form.

All Shares of the same category issued at the same time shall be issued under the same conditions and at the same price; any entity or individual shall pay the same price for each share.

The Shares issued by the Company, all of which are ordinary Shares, are denominated in RMB with a par value of RMB1.00 per share.

Increase, Reduction and Repurchase of Shares

Increase of Registered Capital

Based on its operating and development needs, the Company may, pursuant to the laws and regulations and resolutions made at the general meeting, increase its capital in the following ways:

(1) public offering of Shares;

(2) private placement of Shares;

(3) distribution of bonus Shares to existing Shareholders;

(4) conversion of funds in the capital reserve to share capital;

(5) any other means permitted by laws, administrative regulations, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), other regulatory rules of the place where the Company's Shares are listed or approved by the CSRC and other relevant competent authorities.

Reduction of Registered Capital

The Company may reduce its registered capital. The reduction of registered capital shall be made in accordance with the Company Law, the Hong Kong Listing Rules and other relevant regulations, as well as procedures stipulated in the Articles of Association.

Where the Company needs to reduce its registered capital, it shall prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within ten days as of the date of the resolution for the reduction of its registered capital and shall publish an announcement in a newspaper designated by the Articles of Association or on National Enterprise Credit Information Publicity System within thirty days as of the date of such resolution. A creditor has the right within thirty days as of the receipt of the notice or, in case where it fails to receive such notice, within forty-five days as of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts.

The registered capital of the Company after the capital reduction shall not be less than the statutory minimum amount. If the Company reduces its registered capital, the Company shall, in accordance with the laws, apply to the companies' registration authority to modify its registration.

Repurchase of Shares

The Company shall not purchase its Shares, except in one of the following circumstances:

(1) reduction of the registered capital of the Company;

(2) mergers with another company holding Shares of the Company;

(3) use of Shares for employee shareholding scheme or share incentives;

(4) request to the Company to acquire the Shares from Shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company;

(5) use of Shares for conversion of corporate bonds convertible into Shares issued by the Company;

(6) when it is necessary for the Company to preserve its value and its Shareholders' interest.

The Company's acquisition of the Shares of the Company can be made by public and centralized transaction, or other methods recognized by laws, administrative regulations, the Hong Kong Listing Rules, other regulatory rules of the place where the Company's Shares are listed and the CSRC. Where the Company acquires its own Shares due to the circumstances stipulated in item (3), (5) or (6) above, it should be made by public and centralized transaction.

The Company's acquisition of the Shares of the Company due to the circumstances stipulated in items (1) and (2) above shall be subject to a resolution of the general meeting. The Company's acquisition of the Shares of the Company due to the circumstances stipulated in items (3), (5) and (6) above may, pursuant to the Articles of Association or the authorization of the general meeting, be subject to a resolution of a Board meeting at which more than two-thirds of Directors are present, except as otherwise provided in the Hong Kong Listing Rules.

Under the circumstance stipulated in item (1), the Shares of the Company so acquired shall be canceled within ten days from the date of acquisition; under the circumstances stipulated in either item (2) or item (4) above, the Shares of the Company so acquired shall be transferred or canceled within six months; under the circumstances stipulated in item (3), (5) or (6), the total Shares of the Company held by the Company shall not exceed 10% of the Company's total outstanding Shares, and shall be transferred or canceled within three years.

The Company shall perform its information disclosure obligations in accordance with the provisions of the Securities Law of People's Republic of China, the Hong Kong Listing Rules and other regulatory rules of the place where the Company's Shares are listed when acquiring its own Shares.

Transfer of Shares

The Shares of the Company can be transferred in accordance with laws.

The Company shall not accept any of its own Shares as the subject of pledge right.

Shares issued prior to the Company's public offering of Shares shall not be transferred for a period of one year from the date of listing and trading of the Company's Shares on the stock exchange.

The Directors, Supervisors and senior management personnel of the Company shall declare to the Company the Shares held by them in the Company and the changes therein, and shall not transfer more than 25% of the total number of Shares held by them in the Company each year during their terms of office; the Shares they hold in the Company shall not be transferred within one year from the date of listing and trading of the Company's Shares. The Shares of the Company held by the above-mentioned persons shall not be transferred within six months after their departure from office.

Financial Assistance for Purchase of Shares of the Company

The Company or its subsidiaries (including affiliated enterprises of the Company) shall not, by way of a gift, advance, guarantee, compensation, loans or otherwise, provide any financial assistance to a person who purchases or intends to purchase the Shares of the Company or its parent company, except for the employee shareholding scheme adopted by the Company.

The Company may, by resolution of the general meeting or by resolution of the Board in accordance with the Articles of Association or the authorization of the general meeting, provide financial assistance to others for the acquisition of Shares in the Company or its parent company, provided that the cumulative total of such financial assistance shall not exceed 10% of the total amount of the issued share capital. Resolutions of the Board shall be passed by more than two-thirds of all Directors.

If a violation of the above provisions causes loss to the Company, the responsible Directors, Supervisors and senior management personnel shall be liable for compensation.

SHAREHOLDERS AND GENERAL MEETING

Shareholders

Register of members

The Company shall prepare a register of members based on the evidence provided by the securities registrar, and the register of members shall be sufficient evidence of the Shareholders' shareholdings in the Company. A Shareholder shall enjoy rights and bear obligations according to the class of his or her Shares. Shareholders holding Shares of the same class shall enjoy the same rights and bear the same obligations.

The Company shall enter into a share custody agreement with the securities registrar, regularly check information on substantial Shareholders and changes in shareholdings of substantial Shareholders (including pledges of shareholdings) to keep abreast of the shareholding

structure of the Company. Transfers and transmissions of Shares shall be registered in the register of members. The Company may, in accordance with the understanding or agreement reached between the competent authority of securities under the State Council and overseas securities regulators, maintain the H Share register of members overseas and entrust the management of the register to an overseas agent. The original H Share register of members shall be kept in Hong Kong and made available for inspection by Shareholders, but the Company may suspend the registration of Shareholders (if necessary) in accordance with the applicable laws and regulations and the securities regulatory rules of the place where the Company's Shares are listed (including but not limited to the same terms of Article 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)); a duplicate of the H Share register of members shall be kept at the Company's domicile. The appointed overseas agent shall at all times ensure the consistency of the original and the duplicate(s) of the H Share register of members; in case of discrepancies between the original and the duplicate(s) of the H Share register of members, the original shall prevail.

When the Company convenes a general meeting, distributes dividends, carries out liquidation or other matters requiring the identification of Shareholders, the Board or the convener of the general meeting shall determine the shareholding record date and the Shareholders registered on the register of members following close of trading on the shareholding record date shall be entitled to the relevant rights and interests.

Where the Hong Kong Listing Rules have provisions on the period of closure of registration of transfers of Shares prior to a general meeting or the reference date set by the Company for the purpose of distribution of dividends, such provisions shall be followed.

Shareholders' rights and obligations

Shareholders of the Company shall enjoy the following rights:

(1) to receive dividends and other forms of profit distributions in accordance with the proportion of the Shares they hold;

(2) to request, summon, preside over, attend or appoint a proxy to attend and speak at general meetings in accordance with the law, and exercising the corresponding voting rights unless the individual Shareholders are required to abstain from voting on individual matters in accordance with the Hong Kong Listing Rules;

(3) to monitor the Company's operation and make recommendations or queries;

(4) to transfer, grant or pledge the Shares they hold in accordance with the provisions of the law, administrative regulations and the Articles of Association;

(5) to inspect and copy the Articles of Association, the register of members (including the H Share register of members), stubs of corporate bonds, minutes of general meetings, resolutions of Board meetings, resolutions of meetings of the Supervisory Committee and financial accounting reports;

(6) to participate in the distribution of the remaining properties of the Company in the event of its termination or liquidation in accordance with the proportion of the Shares they hold;

(7) to require the Company to purchase their shareholdings in the event of their objection to resolutions of the general meetings concerning merger or division of the Company;

(8) other rights prescribed by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules or the Articles of Association.

Where any Shareholder is required to abstain from voting on any particular resolution or restricted to voting only in favor of (or only against) any particular resolution, any votes cast by or on behalf of such Shareholder in violation of such requirement or restriction shall not be counted.

Shareholders who propose to inspect the aforesaid relevant information or request any materials shall provide the Company with the written documentation evidencing the type and number of Shares held by them. The Company shall provide the relevant information or material as per the Shareholders' request after verification of their identity.

If the content of a resolution of the general meeting or the Board of the Company violates laws or administrative regulations, Shareholders shall have the right to request the People's Court to hold it invalid.

If the summoning procedure or voting method of a general meeting or Board meeting violates laws, administrative regulations or the Articles of Association, or the content of a resolution violates the Articles of Association, Shareholders shall have the right to request the People's Court to revoke the relevant resolution within 60 days from the date on which the resolution was made, provided that there is a minor defect in the procedures to convene the general meeting or the Board meeting or voting methods, without causing substantial impacts on the resolution.

Any Shareholder who is not notified to attend the general meeting may, within 60 days from the date when they knew or should have known that the resolution of the general meeting had been made, request the People's Court to revoke it, in which case, if the right of revocation is not exercised within one year from the date when the resolution was made, the right of revocation shall be extinguished.

If a Director or senior management personnel violates the provisions of laws, administrative regulations or the Articles of Association in performing duties for the Company and caused damage to the Company, Shareholders who hold 1% or more of the Shares in the Company, either individually or collectively, for 180 or more consecutive days shall have the right to request the Supervisory Committee in writing to institute a legal action in the People's Court; if the Supervisory Committee violates any law or administrative regulation or breaches the Articles of Association in performing duties for the Company and caused damage to the Company, Shareholders may request the Board in writing to institute a legal action in the People's Court. If the Supervisory Committee or the Board refuses to institute legal actions after receiving a written request from the Shareholder as provided for in the preceding paragraph, or if no legal actions are instituted within 30 days from the date of receipt of the request, or if the situation is urgent and failure to institute proceedings immediately would cause irreparable damage to the interests of the Company, the Shareholder as provided for in the preceding paragraph shall have the right to institute proceedings directly in the People's Court in his own name and for the interests of the Company. In the event that a third party infringes upon the lawful rights and interests of the Company and causes damage to the Company, the Shareholders provided for in the preceding paragraph may institute a legal action in the People's Court in accordance with the procedure described above.

Where a Director, Supervisor and senior management personnel of a wholly-owned subsidiary of the Company falls under the circumstances prescribed in the preceding paragraph, or where a third party infringes upon the lawful rights and interests of the wholly-owned subsidiary of the Company and causes damage to such wholly-owned subsidiary, Shareholders who hold 1% or more of the Shares in the Company, either individually or collectively, for 180 or more consecutive days may request the Supervisory Committee or the Board of the wholly-owned subsidiary in writing to institute proceedings in the People's Court in accordance with the procedure described above, or directly institute a legal action in the People's Court in his own name.

If a Director or senior management personnel violates the provisions of laws, administrative regulations or the Articles of Association to the detriment of the interests of Shareholders, Shareholders may institute a legal action in the People's Court.

Shareholders of the Company shall assume the following obligations:

(1) abide by laws, administrative regulations and the Articles of Association;

(2) to pay capital contribution as per the Shares subscribed for and the method of subscription;

(3) not to withdraw Shares unless required by the laws and regulations;

(4) not to abuse Shareholders' rights to impair the interests of the Company or other Shareholders; not to abuse the independent status of legal person or Shareholders' limited liabilities to impair the interests of the creditors of the Company;

(5) other obligations required by laws, administrative regulations, the Hong Kong Listing Rules, other regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Shareholders of the Company who abuse their Shareholders' rights and thereby cause damage to the Company or other Shareholders shall be liable for compensation in accordance with the laws. Where Shareholders of the Company abuse the Company's independent status as a legal person and the limited liabilities of Shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such Shareholders shall be jointly and severally liable for the debts owed by the Company.

Where any Shareholder who holds more than 5% of Shares with voting rights of the Company have pledged such Shares, the relevant Shareholder shall report to the Company in writing on the date of occurrence of such fact.

Restriction on rights of Controlling Shareholders

The Controlling Shareholder and the actual controller of the Company shall not use their connected relationship (related party relationship) to damage the interests of the Company. Any violation of such rule that causes damage to the Company shall be liable for compensation.

The Controlling Shareholder and the actual controller of the Company shall owe a duty of good faith to the Company and its public Shareholders. The Controlling Shareholders shall exercise their rights as capital contributors in strict accordance with the law. The Controlling Shareholders shall not use profit distribution, asset restructuring, external investment, fund occupation, loan guarantee, etc. to damage the legitimate rights and interests of the Company and those of the public Shareholders, and shall not use their control position to damage the interests of the Company and the public Shareholders.

General Meetings

The general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with the law:

(1) to elect and replace Directors and Supervisors and to decide on matters relating to the remuneration of Directors and Supervisors;

(2) to consider and approve the report of the Board;

(3) to consider and approve the report of the Supervisory Committee;

(4) to consider and approve the Company's profit distribution plans and loss recovery plans;

(5) to resolve on the increase or reduction of the registered capital of the Company;

(6) to resolve on the issue of corporate bonds;

(7) to resolve on the merger, division, dissolution, liquidation or change of corporate form of the Company;

(8) to amend the Articles of Association;

(9) to resolve on the engagement and dismissal of the Company's accounting firm;

(10) to consider and approve the guarantees as provided in Article 43 of the Articles of Association;

(11) to consider the purchase or sale of material assets of the Company exceeding 30% of the Company's latest audited total assets within one year;

(12) to consider and approve the change of use of proceeds;

(13) to consider share incentive scheme and employee shareholding scheme;

(14) to examine all the transactions of which the percentage is not lower than 25% (including one-off transactions as well as series of transactions of which the percentage shall be calculated jointly) and the connected transactions of which the percentage is not lower than 5% (including one-off transactions as well as series of transactions of which the percentage shall be calculated jointly) with percentage rates of not less than 25% and 5% respectively in accordance with Rule 14.07 of the Hong Kong Listing Rules;

(15) to consider other matters that shall be decided by the general meeting as stipulated in the laws, administrative regulations, departmental rules, the Hong Kong Listing Rules or the Articles of Association.

The general meeting may authorize the Board to make resolutions on the issuance of corporate bonds.

General meetings shall be divided into annual general meetings and extraordinary general meetings. The annual general meeting is to be held once a year and shall be held within six months after the end of the previous financial year.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of the fact in any of the following cases:

(1) when the number of Directors is less than the number prescribed by the Company Law or two-thirds of the number as provided in the Articles of Association;

(2) when the losses of the Company that have not been made up has reached one-third of its total paid-in share capital;

(3) when requested by Shareholders who individually or collectively hold more than 10% of the Company's Shares;

(4) when deemed necessary by the Board;

(5) when proposed by the Supervisory Committee;

(6) other circumstances as stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

Summoning of general meetings

Independent non-executive Directors shall have the right to propose to the Board the convening of an extraordinary general meeting. In response to a proposal by an independent non-executive Director to convene an extraordinary general meeting, the Board shall, in accordance with the laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed and the provisions of the Articles of Associations, provide written feedback on whether it agrees or disagrees with the convening of an extraordinary general meeting within ten days after receiving the proposal.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice to convene the meeting within five days after a resolution of the Board is made; if the Board does not agree to convene an extraordinary general meeting, it will state the reasons and announce such reasons.

The Supervisory Committee shall have the right to propose to the Board the convening of an extraordinary general meeting and shall submit the proposal in writing to the Board. The Board shall, in accordance with the laws, administrative regulations, the regulatory rules of the place where the Company's Shares are listed and the provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of the extraordinary general meeting within ten days after receiving the proposal.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice to convene the meeting within five days after a resolution of the Board is made, and any changes to the original proposal in the notice shall be subject to the consent of the Supervisory Committee.

If the Board does not agree to convene an extraordinary general meeting or failed to provide feedback within ten days after receiving the proposal, it shall be deemed that the Board is unable to perform or does not perform its duty to summon a meeting of the general meeting, and the Supervisory Committee may summon and preside over the meeting on its own initiative.

Shareholders who individually or collectively hold more than 10% of the Company's Shares shall have the right to request the Board to convene an extraordinary general meeting and shall submit the request in writing to the Board. The Board shall, in accordance with the provisions of the laws, administrative regulations and the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of the extraordinary general meeting within ten days after receiving the request.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice to convene the meeting within five days after a resolution of the Board is made, and any changes to the original request in the notice shall be subject to the consent of the relevant Shareholders.

If the Board does not agree to convene an extraordinary general meeting or failed to provide feedback within ten days after receiving the request, Shareholders who individually or collectively hold more than 10% of the Company's Shares shall have the right to propose to the Supervisory Committee that an extraordinary general meeting be convened and shall submit their request in writing to the Supervisory Committee.

If the Supervisory Committee agrees to convene an extraordinary general meeting, it shall issue a notice to convene the meeting within five days of receipt of the request, and any changes to the original request in the notice shall be subject to the consent of the relevant Shareholders.

If the Supervisory Committee fails to issue the notice of general meeting within the prescribed period, it shall be deemed that the Supervisory Committee would not summon and preside over the general meeting, and Shareholders who individually or collectively hold more than 10% of the Company's Shares for more than 90 consecutive days may summon and preside over the meeting on their own initiative.

Proposals for general meetings

The content of the proposals shall fall within the scope of the functions and powers of the general meeting, have clear topics and specific matters for resolution, and comply with the relevant provisions of laws, administrative regulations, the Hong Kong Listing Rules, other regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

When the Company convenes a general meeting, the Board, the Supervisory Committee and Shareholders who individually or collectively hold more than 1% of the Company's Shares shall be entitled to submit proposals to the Company.

Shareholders who individually or collectively hold more than 1% of the Company's Shares may make a provisional proposal and submit it in writing to the convener ten days before the date of the general meeting. The convener shall issue a supplementary notice of the general meeting within two days of receipt of the proposal, announcing the content of the provisional proposal. If the general meeting is required to be adjourned due to publication of a supplementary notice of general meeting in accordance with the securities regulatory rules of the place where the Company's Shares are listed, the general meeting shall be adjourned in accordance with the securities regulatory rules of the place where the Company's Shares are listed.

Except as provided for in the preceding paragraph, the convener shall not amend the proposals already specified in the notice of the general meeting or add new proposals after the notice of the general meeting has been issued.

Proposals not specified in the notice of the general meeting or not in compliance with the provisions of Article 53 of the Articles of Association shall not be voted on and resolved by the general meeting.

Notices of general meetings

The convener shall notify all Shareholders by public announcement 21 days prior to the convening of the annual general meeting. In case of an extraordinary general meeting, the Shareholders shall be notified by public announcement 15 days prior to the convening of the meeting.

When the Company sets up the duration of notice, the date of convening of the meeting shall be excluded.

Notice of a general meeting shall include:

(1) time, place and duration of the meeting;

(2) the matters and proposals to be considered at the meeting;

(3) a conspicuous statement that all ordinary Shareholders are entitled to attend the general meeting, and all ordinary Shareholders have the right to appoint proxies to attend the meeting and vote on his/her behalf, and that such proxy need not be a Shareholder of the Company;

(4) the shareholding record date of Shareholders entitled to attend the general meeting;

(5) the name and telephone number of standing contact person for meeting services;

(6) time and procedures of the voting online or by any other means.

Notices and supplementary notices of general meetings shall adequately and completely disclose the particulars of all proposals. Where the opinions of an independent non-executive Director are required on the matters to be discussed, such opinions and reasons thereof shall be disclosed when the notices or supplementary notices of general meetings are issued.

Convening of general meetings

All ordinary Shareholders or their proxies in the register of members on the shareholding record date shall have the right to attend the general meeting and exercise their voting rights in accordance with relevant laws, regulations, the Hong Kong Listing Rules and the Articles of Association (unless individual Shareholders are required to waive their voting rights on certain matters under the securities regulatory rules of the place where the Company's Shares are listed). Shareholders are entitled to speak at the general meeting.

A Shareholder may attend a general meeting in person or appoint one person as proxy (who may not be a Shareholder of the Company) to attend and vote on his behalf.

When a general meeting is convened, all the Directors, Supervisors and the secretary to the Board of the Company shall attend the meeting, and the general manager and other senior management shall be present at the meeting.

General meetings shall be chaired by the chairman of the Board. In the event that the chairman is unable or fails to perform his duties, a Director jointly elected by a simple majority of the Directors shall preside over the meeting.

For a general meeting summoned by the Supervisory Committee on its own initiative, the chairman of the Supervisory Committee shall preside over such meeting. In the event that the chairman of the Supervisory Committee is unable or fails to perform his duties, a Supervisor jointly elected by a simple majority of the Supervisors shall preside over the meeting.

A general meeting summoned by the Shareholders on their own initiative shall be presided over by a representative selected by the convener.

When convening a general meeting, in the event that the presiding officer of the meeting violates the rules of procedure such that the meeting cannot be continued, the general meeting may, with the consent of more than half of the Shareholders present at the general meeting with voting rights, elect one person to act as the presiding officer to continue the meeting.

Voting and resolution at a general meeting

Resolutions at general meetings are divided into ordinary resolutions and special resolutions.

An ordinary resolution at a general meeting shall be passed by a simple majority of the voting rights held by the Shareholders (including their proxies) present at the general meeting.

A special resolution at a general meeting shall be passed by at least two-thirds of the voting rights held by the Shareholders (including their proxies) present at the general meeting.

The following matters shall be adopted by ordinary resolution of the general meeting:

(1) working reports of the Board and the Supervisory Committee;

(2) profit distribution plans and loss recovery plans prepared by the Board;

(3) the appointment and removal of members of the Board and the Supervisory Committee and their remuneration and payment method thereof;

(4) annual reports of the Company;

(5) resolutions in relation to the engagement and dismissal of the Company's accounting firm, and the determination of its remuneration (or the manner in which such remuneration is to be determined);

(6) other matters other than those prescribed by laws, administrative regulations, Hong Kong Listing Rules, other regulatory rules of the place where the Company's shares are listed or the provisions of the Articles of Association that shall be adopted by special resolution.

The following matters shall be adopted by special resolution of a general meeting:

(1) increase or reduction of the registered capital of the Company;

(2) merger, division, spin-off, change of corporate form, dissolution and liquidation of the Company;

(3) amendments to the Articles of Association;

(4) the purchase or sale of material assets or the provision of guarantees by the Company within one year in an amount exceeding 30% of the Company's latest audited total assets;

(5) share incentive schemes;

(6) other matters prescribed by the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed or the provisions of the Articles of Association, or determined by a general meeting via ordinary resolution as having a material impact on the Company that shall be adopted by special resolution.

Shareholders (including their proxies) shall exercise their voting rights in line with the amount of the Shares with voting rights they represent, each share shall carry one vote. The Company's own Shares held by the Company do not carry voting rights and such Shares shall not count towards the total number of Shares with voting rights at general meetings.

Resolutions made pursuant to Rules 2.2 and 2.10 under the Code on Takeovers and Mergers and Rule 3.3 under the Code on Share Buy-backs issued by the Securities and Futures Commission of Hong Kong, as well as other resolutions that shall only be approved by the holders of overseas listed foreign Shares in accordance with the relevant provisions of the Hong Kong Listing Rules, the Code on Takeovers and Mergers and the Code on Share Buy-backs, as amended from time to time, shall be passed by and only by the meetings of the holders of overseas listed foreign Shares.

The resolutions of the general meeting shall be announced in a timely manner, and the announcement shall indicate the number of Shareholders and proxies that attended the meeting, the total number of Shares with voting rights held by them and its proportion to the total number of Shares with voting rights of the Company, and the voting method, voting results of each resolution and detailed contents of each resolution passed.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at general meetings, and any Director, including executive Directors, may be removed by ordinary resolution at a general meeting before the expiration of his term of office, but such removal shall not affect any claim for damages under any contract by such Director. The term of office of Directors shall be 3 years. Upon the expiry of the term, a Director shall be eligible for re-election and re-appointment. Shareholders shall not remove a Director without good reason at a general meeting prior to the expiration of his term. Contracts shall be signed between the Company and the Directors, specifying the rights and obligations of the Company and the Directors, the term of office of Directors, the responsibilities to be assumed by Directors for violating the laws, regulations and the Articles of Association and compensation to be made because of the early termination of contracts by the Company.

The term of office of a Director commences from the date he takes office, until the current term of office of the Board ends. The original Director shall continue to perform his duties as a Director in accordance with the laws, administrative regulations, departmental rules, Hong Kong Listing Rules, other regulatory rules of the place where the Company's shares are listed or the provisions of the Articles of Association until a re-elected Director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office.

Any person appointed by the Board to fill a casual vacancy on the Board or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his appointment, and can offer himself for re-election and re-appointment at the meeting.

The Directors shall observe the laws, administrative regulations and the Articles of Association, and shall assume the duties of loyalty and due diligence to the Company.

Board of Directors

The Company shall establish a Board to implement resolutions of general meetings. The Board consists of eight Directors with one chairman, including three independent non-executive Directors.

The Board shall exercise the following functions and powers:

(1) to summon general meetings and report its work to general meetings;

(2) to implement resolutions of general meetings;

(3) to decide on the Company's business plan and investment project;

(4) to formulate the Company's profit distribution plan and loss recovery plan;

(5) to formulate plans for increase or reduction of the registered capital of the Company, issuance of bonds or other securities and the listing of the Company;

(6) to formulate plans for major acquisition of the Company, acquisition of the Company's Shares or merger, division, dissolution and change in corporate form of the Company;

(7) to decide, within the authorization of the general meeting, on matters such as external investments, acquisition and sale of assets, pledging of assets, external guarantees, entrusted wealth management, connected transactions and external donations of the Company;

(8) to decide on the establishment of the internal management structure of the Company;

(9) to decide on the appointment or dismissal of the general manager, the secretary to the Board and other senior management of the Company, and to decide on matters in relation to their remuneration, rewards and punishments; according to the nomination by the general manager, to decide on the appointment or dismissal of senior management such as the deputy general manager and the financial controller, and to decide on matters in relation to their remuneration, rewards and punishments;

(10) to formulate the basic management system of the Company;

(11) to formulate the revision plan for the Articles of Association;

(12) to manage information disclosure of the Company;

(13) to submit to the general meeting a request for the engagement or replacement of the accounting firm auditing for the Company;

(14) to receive work reports from the general manager of the Company and review the work of the general manager;

(15) such other powers granted by laws, administrative regulations, departmental rules, Hong Kong Listing Rules, other regulatory rules of the place where the Company's shares are listed, the Articles of Association or general meetings.

Matters exceeding the scope of authority delegated by general meetings shall be submitted to a general meeting for consideration.

The Board shall meet at least four times a year (approximately once a quarter), such meeting shall be summoned by the chairman of the Board, with written notice and sufficient information provided to all Directors and Supervisors fourteen days prior to the meeting.

The Board meeting shall be held in the presence of more than half of the Directors. Except as otherwise provided in the laws and regulations and the Articles of Association, a resolution of the Board must be passed by a simple majority of all Directors.

Voting on Board resolutions shall be made on a one-person-one-vote basis.

Special committees under the Board

The Board of the Company shall establish an Audit Committee, a Nomination Committee and a Remuneration and Appraisal Committee. Such special committees shall be accountable to the Board and shall perform their duties in accordance with the Articles of Association and the authority delegated by the Board, and their proposals shall be submitted to the Board for consideration and approval. The members of the special committees shall be composed entirely of Directors. The Audit Committee shall consist of at least three members and a majority of the members shall not hold positions in the Company other than as Directors, and shall not have any relationship with the Company that may affect their independent and objective judgment. The Audit Committee shall be chaired by an independent non-executive Director. A majority of the members of the Nomination Committee shall be independent non-executive Directors and it shall be chaired by the chairman of the Board or an independent non-executive Director. A majority of

the members of the Remuneration and Appraisal Committee shall be independent non-executive Directors and it shall be chaired by an independent non-executive Director. The Board is responsible for formulating the working rules of the special committees to standardize their operation.

Secretary to the Board of the Company

The Company shall have a secretary to the Board, who shall be responsible for the preparation of general meetings and Board meetings of the Company, the custody of documents and the management of the Shareholders' information of the Company, the handling of information disclosure and investor relations.

The secretary to the Board shall comply with the relevant provisions of the laws, administrative regulations, departmental rules and the Articles of Association.

General manager and other senior management

The Company shall have a general manager who shall be appointed or dismissed by the Board. The term of office of the general manager shall be three years for each session, and the general manager may be re-appointed upon re-election.

The general manager shall be responsible to the Board and exercise the functions and powers according to the provisions of the Articles of Association or the authorization of the Board. The general manager shall be present at Board meetings.

The Company shall have a deputy general manager, who shall be appointed or dismissed by the Board. The general manager, deputy general manager, financial controller, secretary to the Board, chief scientific officer and chief operating officer of the Company are the senior management of the Company.

SUPERVISORS AND SUPERVISORY COMMITTEE

Supervisors

Directors, the general manager and other senior management shall not concurrently serve as Supervisors.

The term of office of the Supervisors shall be three years for each session. Supervisors are eligible for re-election upon expiry of their term of office. If a Supervisor's term of office expires without timely re-election, or if a Supervisor resigns during his term of office, resulting in the

number of members on the Supervisory Committee falling below the quorum, the original Supervisor shall still perform his duties as a Supervisor in accordance with the laws, administrative regulations and the provisions of the Articles of Association until the re-elected Supervisor assumes office.

Supervisors shall abide by the laws, administrative regulations, Hong Kong Listing Rules, other regulatory rules of the place where the Company's shares are listed and the Articles of Association, and shall have a duty of loyalty and diligence to the Company, and shall not use their authority to accept bribes or other illegal income or misappropriate the property of the Company.

Supervisory Committee

The Company shall have a Supervisory Committee. The Supervisory Committee shall consist of three Supervisors and shall have one chairman. The chairman of the Supervisory Committee shall be elected by more than half of all Supervisors. The chairman of the Supervisory Committee shall summon and preside over meetings of the Supervisory Committee; if the chairman of the Supervisory Committee is unable to perform his duties or does not perform his duties, a simple majority of the Supervisors shall jointly elect a Supervisor to summon and preside over the meeting of the Supervisory Committee.

The Supervisory Committee shall have representatives of the Shareholders and an appropriate proportion of representatives of the employees of the Company, of which the proportion of employee representatives shall not be less than one-third. The employee representatives on the Supervisory Committee shall be democratically elected by the employees of the Company through the staff congress, staff meeting or other forms. The Supervisory Committee shall exercise the following functions and powers:

(1) to review and provide written opinions of review on the periodic reports of the Company prepared by the Board;

(2) to inspect the financial position of the Company;

(3) to supervise the conduct of Directors and senior management in performing their duties for the Company and to propose the dismissal of Directors and senior management who violate the laws, administrative regulations, the Articles of Association or resolutions of the general meetings;

(4) to require Directors and senior management to rectify their actions when such actions are detrimental to the interests of the Company;

(5) to propose the convening of an extraordinary general meeting and to summon and preside over general meetings when the Board does not perform its duties to summon and preside over general meetings as provided for in the Company Law;

(6) to submit proposals to general meetings;

(7) to institute legal actions against Directors and senior management in accordance with the provisions of Article 189 of the Company Law;

(8) to conduct investigations when abnormalities are discovered in the Company's operation; if necessary, professional organizations such as accounting firms and law firms may be engaged to assist in the work at the Company's expense.

The Supervisory Committee shall meet at least once every six months. A Supervisor may propose an extraordinary meeting of the Supervisory Committee. Resolutions of the Supervisory Committee shall be passed by a simple majority of all Supervisors.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDITING

Financial Accounting System

The Company shall formulate its financial accounting system in accordance with the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the provisions of relevant state departments.

The Company shall prepare its annual financial accounting report within four months from the end of each accounting year and its interim financial accounting report within two months from the end of the first six months of each accounting year.

Periodic reports on H Shares of the Company shall include annual reports and interim reports. The Company shall disclose a preliminary announcement of its annual results within three months from the end of each accounting year, and complete and disclose its annual report within four months from the end of each accounting year and at least 21 days before the date of the annual general meeting.

The Company shall disclose a preliminary announcement of its interim results within two months from the end of the first six months of each accounting year, and complete and disclose its interim report within three months from the end of the first six months of each accounting year.

The above-mentioned annual results, annual reports, interim results and interim reports shall be prepared according to the relevant laws, administrative regulations, the provisions of the securities regulators and stock exchange where the Company's shares are listed.

If the applicable laws, administrative regulations, normative documents promulgated by competent authorities, Hong Kong Listing Rules and other regulatory rules of the place where the Company's shares are listed have special requirements on financial reporting, such provisions shall apply.

Profit Distribution

When the Company distributes the profit after tax for the year, 10% of the profit shall be withdrawn and included in the Company's statutory reserve. Where the accumulated amount of the Company's statutory reserve is more than 50% of the Company's registered capital, further allocation is not required.

If the Company's statutory reserve is not sufficient to cover losses of previous years, it shall, before withdrawing the statutory reserve in accordance with the preceding paragraph, make up the losses from the profits of the current year in the first place.

After the Company has withdrawn statutory reserve from its profit after tax, it may also make an arbitrary reserve from its profit after tax by resolution of the general meeting.

The remaining profit after tax after the Company has made up its losses and withdrawn its reserves may be distributed in proportion to the Shares held by the Shareholders, except where the Articles of Association provide that the distribution shall not be made in proportion to the Shares held.

If the Company distributes profits to Shareholders in violation of the Company Law and the Articles of Association, the Shareholders shall return the profits so distributed to the Company; if losses are caused to the Company, the Shareholders and the accountable Directors, Supervisors, and senior management shall bear the liability for compensation.

The Company's own shares held by the Company shall not participate in the distribution of profits.

Auditing

The Company implements an internal audit system with full-time auditors to carry out internal audit and supervision of the Company's financial income and expenditure and economic activities.

The Company shall engage an accounting firm that complies with the Securities Law and the regulatory rules of the place where the Company's shares are listed to carry out the audit of accounting statements, verification of net assets and other related advisory services for a period of one year, which is renewable.

NOTICE AND ANNOUNCEMENT

Notices of the Company shall be given in the following forms:

(1) delivered by hand;

(2) delivered by fax, email or mail;

(3) by public announcement;

(4) by way of publication on the websites of the Company and the Hong Kong Stock Exchange, subject to the laws, administrative regulations and the listing rules of the stock exchange of the place where the Company's shares are listed;

(5) other forms prescribed by the listing rules of the place where the Company's shares are listed, the provisions of securities regulatory authorities or the Articles of Association.

For notices issued by the Company to the H Shareholders by way of announcement, the Company shall on the same day submit its electronic version available for real-time publication to the Hong Kong Stock Exchange through the e-submission system of the Hong Kong Stock Exchange for release on the website of the Hong Kong Stock Exchange in accordance with the local listing rules, or publish an announcement in newspapers (including the publication of an advertisement in newspapers) in accordance with the local listing rules. The announcement shall at the same time also be published on the Company's website. For notices delivered by person or mail, such notices shall be delivered to each of the registered addresses as set forth in the register of H Shareholders by personal delivery or prepaid mail, so as to give the Shareholders sufficient notice and time to exercise their rights or act in accordance with the terms of the notice. If the listing rules of the stock exchange where the Company's shares are listed have special provisions, such provisions shall prevail.

The H Shareholders of the Company can, in writing, select to receive corporate communication by electronic means or by mail that the Company shall send to Shareholders, and they can also select to receive Chinese or English version only, or both. Shareholders can give written notice in advance to the Company within a reasonable time to revise the method and language version of receiving foregoing information under appropriate procedures.

Shareholders or Directors who wish to prove that certain notices, documents, information or written statements have been served on the Company shall provide evidence showing the same has been served to the correct address by ordinary means or by prepaid mail within the specified period of time.

In the event that the listing rules of the stock exchange of the place where the Company's shares are listed stipulate that the Company shall send, post, distribute, issue, announce or otherwise provide relevant documents of the Company in English and Chinese, and if the Company has made appropriate arrangement to confirm whether the Shareholders intend to receive either the English or the Chinese version, the Company may (as per the preference stated by the Shareholders) only send the English version or the Chinese version to the Shareholders concerned to the extent permitted by and subject to applicable laws and regulations.

The Company shall publish its announcements and other information to be disclosed in the information disclosure media that comply with the Company Law, Securities Law and other laws, administrative regulations, and regulatory requirements of the place where the Company's shares are listed. The Company shall issue announcements and disclose information to Shareholders through information disclosure newspapers and websites designated or recognized by laws, administrative regulations, relevant domestic regulatory authorities or the stock exchange where the Company's shares are listed.

MERGER, DIVISION, DISSOLUTION AND LIQUIDATION

Merger and Division

A merger of the Company may take the form of a merger by absorption or a merger by new creation.

The absorption of one company into another is a merger by absorption and the absorbed company shall be dissolved. The merger of two or more companies to create a new company is a merger by new creation and the parties to the merger shall be dissolved.

Where the Company merges with another company in which the former holds not less than 90% of the shares of another company, the acquired company is not required to obtain approval by resolution of its general meeting, but shall notify other Shareholders who have the right to request the Company to buy its equities or shares at a reasonable price. If the price paid for a company's merger does not exceed 10% of the Company's net assets, approval by resolution of its general meeting may not be required, unless otherwise provided by the regulatory rules of the place where the Company's shares are listed or the Articles of Association. Where a company's merger is exempted from approval by resolution of the general meeting as previously stated, it shall be subject to approval by resolution of the Board.

In case of merger or division of the Company, and the registered matters have changed, the registration of the changes shall be made with the company registration authority in accordance with the law; if the Company is dissolved, the registration of cancellation of the company shall be made in accordance with the law; if a new company is established, the registration of establishment of a company shall be made in accordance with the law.

Dissolution and Liquidation

The Company shall be dissolved for the following reasons:

(1) the term of business provided for in the Articles of Association has expired or the occurrence of any other cause of dissolution provided for in the Articles of Association;

(2) dissolution has been resolved by the general meeting;

(3) dissolution is required for merger or division of the Company;

(4) having the business license revoked, ordered to be shut down or be deregistered in accordance with the law;

(5) where the Company has serious difficulties in its operation and management, and the continuation of the Company will cause significant losses to the interests of the Shareholders, and the problem cannot be solved through other means, Shareholders holding more than 10% of the voting rights of all Shareholders of the Company may request a people's court to dissolve the Company.

In case any event of dissolution specified in the preceding paragraph occurs, the Company shall publish an announcement regarding the reasons for dissolution on the National Enterprise Credit Information Publicity System within 10 days.

Where the Company falls under the circumstances described in items (1) and (2) above, and no property has been distributed to the Shareholders, the Company may survive by amending the Articles of Association. Amendments to the Articles of Association in accordance with the foregoing requirements shall be approved by at least two-thirds of the voting rights held by the Shareholders present at the general meeting.

If the Company shall be dissolved pursuant to the items (1), (2), (4) and (5) above, it shall establish a liquidation committee within 15 days from the date of occurrence of the reasons for dissolution to start the liquidation process. The liquidation committee shall be composed of Directors, unless otherwise stipulated in the Articles of Association or the general meeting has resolved to elect another person. If the liquidation obligors fail to perform liquidation obligations in a timely manner and cause losses to the Company or creditors, they shall be liable for compensation. If the liquidation committee is not established to commence liquidation after the deadline or the liquidation does not commence after the liquidation committee is established, interested parties may apply to the people's court to designate relevant persons to form a liquidation committee for liquidation. If the Company shall be dissolved pursuant to the item (4) above, the department or company registration authority that made the decision to revoke the business license, order closure, or deregister the Company may apply to the people's court to designate relevant persons to form a liquidation committee for liquidation.

Amendment of the Articles of Association

The Company shall amend the Articles of Association upon occurrence of any of the following circumstances:

(1) the Company Law or relevant laws, administrative regulations, Hong Kong Listing Rules and other regulatory rules of the place where the Company's shares are listed are amended, and the matters provided for in the Articles of Association are in conflict with the provisions of the amended laws, administrative regulations, Hong Kong Listing Rules and other regulatory rules of the place where the Company's shares are listed;

(2) there has been a change in the circumstances of the Company, resulting in the inconsistency of the matters recorded in the Articles of Association;

(3) the general meeting has decided to amend the Articles of Association.

If the amendment to the Articles of Association adopted by resolution of the general meeting is subject to the approval of the competent authority, it shall be reported to the competent authority for approval; if it involves matters of company registration, the registration of the changes shall be made with the company registration authority in accordance with the law.

The Board shall amend the Articles of Association in accordance with the resolution of the general meeting in relation to the amendment of the Articles of Association and the approval of the relevant competent authorities.

Where the amendments to the Articles of Association are information required to be disclosed by laws and regulations, the relevant matters shall be announced as required.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of our Company

Our Company was established in the PRC on May 23, 2023 and was converted to a joint stock company with limited liability under the Company Law with effect from December 24, 2024. Our Company has established a principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on **[•]**. Ms. Suen Ka Yan, one of our joint company secretaries, 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 established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix VI — Summary of Articles of Association" to this document.

2. Changes in the share capital of our Company and our subsidiaries

Save as disclosed in "History, Development and Corporate Structure," there has been no alteration in the share capital of our Company and our subsidiaries within two years immediately preceding the date of this document.

3. Restriction of share repurchase

For details of the restrictions on the share repurchase by our Company, see "Appendix VI — Summary of Articles of Association".

4. Resolutions of our Shareholders passed on May 6, 2025

At the extraordinary general meeting of our Company held on May 6, 2025, among other things, the following resolutions were passed by our Shareholders:

(a) the **[REDACTED]** by our Company of the H Shares of nominal value of RMB[0.50] each and such H Shares being **[REDACTED]** on the main board of the Stock Exchange;

(b) the number of H Shares to be issued shall be no more than 25% of the total issued share capital of our Company upon completion of the **[REDACTED]**, and the grant of the **[REDACTED]** of not more than 15% of the number of H Shares issued pursuant to the **[REDACTED]**;

(c) subject to the completion of the filing procedure with the CSRC, upon completion of the **[REDACTED]**, the conversion of **[REDACTED] [REDACTED]** Shares in aggregate into H Shares on a one-for-one basis was approved;

(d) subject to the completion of the **[REDACTED]**, the Articles of Association were approved and adopted, which shall become effective on the **[REDACTED]**, and our Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(e) our Board and its authorized individuals have been authorized to handle all relevant matters relating to, among other things, the **[REDACTED]**, the issue of H Shares and the **[REDACTED]**.

5. Particulars of our subsidiaries

Particulars of our subsidiaries are set forth in note 1 of the Accountants' Report.

Set out below is certain information of our subsidiaries as of the Latest Practicable Date:

No.	Name of subsidiaries	Name of shareholder(s)	Percentage of the equity interest held
1	Jiangsu Xihong	Our Company	100%
2	Runmei Time	Our Company	100%
3	Jiangsu Hongjun	Jiangsu Xihong	100%
4	Suqian Yanmei	Jiangsu Xihong	100%

6. Change in the registered capital of our subsidiaries

Our Company's 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, Development and Corporate Structure" in this document, there has been no other alteration in the registered capital of any of our subsidiaries within the two years immediately preceding the date of this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

(a) the promoters agreement dated December 17, 2024 entered into among Mr. Zhang Xinming (張新明), Beijing Sun-Novo Pharmaceutical Research Co., Ltd. (北京陽光諾和藥物研究股份有限公司), Dr. Fu Jie (付劼), Mr. Tang Haiwei (唐海威), Ningbo Qianxi Enterprise Management Partnership (Limited Partnership) (寧波乾禧企業管理合夥企業(有限合夥)), Suzhou Jiahong Medical Management Partnership (Limited Partnership) (蘇州佳鴻醫療管理合夥企業(有限合夥)), Hainan Kangzhe Venture Investment Co., Ltd. (海南省康哲創業投資有限公司), Mr. Zhao Rongji (趙榮吉), Mr. Wang Xuhai (王緒海), Mr. Liu Xiaodong (劉曉東), Shenzhen Innovation Capital Investment Co., Ltd. (深圳市創新資本投資有限公司), Mr. Li Yonglin (李用琳), Mr. Wang Zhenguo (王振國), Changzhou High-tech Investment Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (常州高新投新興產業股權投資基金合夥企業(有限合夥)), Mr. Wang Hongguang (王紅光), Mr. Ji Lei (姬磊), Ms. Zhang Ping (張萍), Mr. Tan Jianxiong (譚建雄), Shenzhen Gaoyuan Gongying Investment Partnership (Limited Partnership) (深圳市高遠共贏投資合夥企業(有限合夥)), pursuant to which it was agreed that our Company shall be converted into a joint stock company with limited liability;

(b) a capital increase agreement (增資協議) dated March 26, 2025 entered into among (i) our Company, Jiangsu Xihong, Jiangsu Hongjun, Suqian Yanmei, Runmei Time, (ii) Hainan Kangzhe Venture Investment Co., Ltd. (海南省康哲創業投資有限公司), Chengdu Jiaozi Park Investment Holding Co., Ltd. (成都交子公園投資控股有限公司), Ms. Wang Haitao (王海濤), Mr. Wu Shumin (吳淑民) (collectively, the "**Series A Investors**"), and (iii) Mr. Zhang Xinming (張新明), Dr. Fu Jie (付劼), Mr. Tang Haiwei (唐海威), Beijing Sun-Novo Pharmaceutical Research Co., Ltd. (北京陽光諾和藥物研究股份有限公司), Ningbo Qianxi Enterprise Management Partnership (Limited Partnership) (寧波乾禧企業管理合夥企業(有限合夥)), Suzhou Jiahong Medical Management Partnership (Limited Partnership) (蘇州佳鴻醫療管理合夥企業(有限合夥)), Mr. Zhao Rongji (趙榮吉), Mr. Wang Xuhai (王緒海), Mr. Liu Xiaodong (劉曉東), Mr. Li Yonglin (李用琳), Mr. Wang Zhenguo (王振國), Mr. Wang Hongguang (王紅光), Mr. Ji Lei (姬磊), Ms. Zhang Ping (張萍), Mr. Tan Jianxiong (譚建雄), Shenzhen Innovation Capital Investment Co., Ltd. (深圳市創新資本投資有限公司), Changzhou High-tech Investment Emerging Industry Equity Investment Fund Partnership (Limited

Partnership) (常州高新 投新興產業股權投資基金合夥企業(有限合夥)), Shenzhen Gaoyuan Gongying Investment Partnership (Limited Partnership) (深圳市高遠共贏投資合夥企業(有限合夥)) and Ningbo Qianhui Enterprise Management Partnership (Limited Partnership) (寧波乾輝企業管理合夥企業(有限合夥)), pursuant to which the Series A Investors agreed to subscribe for the increased registered capital of RMB4,610,946 at a consideration of RMB90 million;

(c) a shareholders' agreement (股東協議) dated March 26, 2025 entered into among our Company, Jiangsu Xihong, Jiangsu Hongjun, Suqian Yanmei, Runmei Time, Mr. Zhang Xinming (張新明), Beijing Sun-Novo Pharmaceutical Research Co., Ltd. (北京陽光諾和藥物研究股份有限公司), Dr. Fu Jie (付劼), Mr. Tang Haiwei (唐海威), Ningbo Qianxi Enterprise Management Partnership (Limited Partnership) (寧波乾禧企業管理合夥企業(有限合夥)), Suzhou Jiahong Medical Management Partnership (Limited Partnership) (蘇州佳鴻醫療管理合夥企業(有限合夥)), Mr. Zhao Rongji (趙榮吉), Mr. Wang Xuhai (王緒海), Mr. Liu Xiaodong (劉曉東), Mr. Li Yonglin (李用琳), Mr. Wang Zhenguo (王振國), Mr. Wang Hongguang (王紅光), Mr. Ji Lei (姬磊), Ms. Zhang Ping (張萍), Mr. Tan Jianxiong (譚建雄), Hainan Kangzhe Venture Investment Co., Ltd. (海南省康哲創業投資有限公司), Shenzhen Innovation Capital Investment Co., Ltd. (深圳市創新資本投資有限公司), Changzhou High-tech Investment Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (常州高新投新興產業股權投資基金合夥企業(有限合夥)), Shenzhen Gaoyuan Gongying Investment Partnership (Limited Partnership) (深圳市高遠共贏投資合夥企業(有限合夥)), Chengdu Jiaozi Park Investment Holding Co., Ltd. (成都交子公園投資控股有限公司), and Ningbo Qianhui Enterprise Management Partnership (Limited Partnership) (寧波乾輝企業管理合夥企業(有限合夥)), Ms. Wang Haitao (王海濤) and Mr. Wu Shumin (吳淑民), pursuant to which the shareholders' rights were agreed among the parties; and

(d) the **[REDACTED]**.

2. Our Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, were material to our business:

No.	Trademark	Name of Registered Proprietor	Class	Place of Registration	Registration Number	Date of Expiry
1		Jiangsu Xihong	10	PRC	27078602	January 6, 2029
2		Jiangsu Xihong	5	PRC	27084707	January 6, 2029
3		Jiangsu Xihong	40	PRC	27088421	January 20, 2029
4	西宏	Jiangsu Xihong	10	PRC	23155933	March 6, 2028
5	西宏	Jiangsu Xihong	5	PRC	23155787	March 20, 2028
6	西宏	Jiangsu Xihong	44	PRC	23155410	March 6, 2028
7	西宏	Jiangsu Xihong	35	PRC	23155922	March 6, 2028
8	西泓源	Jiangsu Xihong	32	PRC	41105091	May 6, 2030
9	西泓源	Jiangsu Xihong	5	PRC	35619801	August 20, 2029
10	西宏医药	Jiangsu Xihong	5	PRC	33513676	July 6, 2029
11	西宏医药	Jiangsu Xihong	10	PRC	33513719	June 6, 2029

No.	Trademark	Name of Registered Proprietor	Class	Place of Registration	Registration Number	Date of Expiry
12	西宏医药	Jiangsu Xihong	35	PRC	33502667	July 6, 2029
13	西宏医药	Jiangsu Xihong	44	PRC	33494213	June 6, 2029
14	西沁	Jiangsu Xihong	5	PRC	35642234	September 13, 2029
15	西沁	Jiangsu Xihong	3	PRC	36619000	December 20, 2029
16	西宏生物	Jiangsu Xihong	5	PRC	77917057	October 6, 2034
17	西宏生物	Jiangsu Xihong	10	PRC	77911377	October 6, 2034
18	西宏生物	Jiangsu Xihong	35	PRC	77902111	October 6, 2034
19	润美时光	Jiangsu Xihong	5	PRC	79468137	February 27, 2035
20	润美时光	Jiangsu Xihong	10	PRC	79473674	February 27, 2035
21	润美时光	Jiangsu Xihong	35	PRC	79473708	February 27, 2035
22	东方妍美	Jiangsu Xihong	35	PRC	79476394	February 27, 2035

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Type	Place of Application	Application Number	Applicant	Date of Application
1	东方妍美	10	PRC	79480313	Jiangsu Xihong	June 27, 2024
2	东方妍美	35	PRC	79476394	Jiangsu Xihong	June 27, 2024
3	东方妍美	10	PRC	81704341	Jiangsu Xihong	October 31, 2024
4		10	PRC	82204214	our Company	November 27, 2024
5		10	PRC	82208499	our Company	November 27, 2024
6		10	PRC	82221212	our Company	November 27, 2024
7		10	Hong Kong	306784228	our Company	January 15, 2025
8		10	Hong Kong	306784219	our Company	January 15, 2025

(b) Patents

As of the Latest Practicable Date, our Group had registered the following patents which, in the opinion of our Directors, were material to our business:

No.	Patent name	Name of Registered Proprietor	Type of patent	Place of Registration	Patent number	Application date	Expiry date
1	A type of liquid protein component and its preparation method (一種液態蛋白質組件及其製備方法)	Jiangsu Xihong	Invention	PRC	ZL 2022 1 0785901.0	July 4, 2022	July 3, 2042
2	A type of long-acting type I and type V collagen composite implants (一種長效微粒I型與V型膠原蛋白複合植入劑)	Jiangsu Xihong	Invention	PRC	ZL 2022 1 1001402.4	August 19, 2022	August 18, 2042
3	A type of polycaprolactone microsphere gel (一種聚己內酯微球凝膠)	Jiangsu Xihong	Invention	PRC	ZL 2022 1 1609462.4	December 13, 2022	December 12, 2042
4	A type of injectable implant and its preparation method (一種注射植入劑的製備方法)	Jiangsu Xihong	Invention	PRC	ZL 2016 1 0091590.2	February 18, 2016	February 17, 2036
5	A type of injectable implant (一種注射植入劑)	Jiangsu Xihong	Invention	PRC	ZL 2016 1 0090724.9	February 18, 2016	February 17, 2036
6	A type of long-acting microparticle type I collagen implant (一種長效微粒I型膠原蛋白植入劑)	Runmei Time	Invention	PRC	ZL 2022 1 1000723.2	August 19, 2022	August 18, 2042
7	A type of collagen-hyaluronic acid composite gel and its preparation method and application (一種膠原蛋白-透明質酸複合凝膠及其製備方法和應用)	Runmei Time and Jiangsu Xihong	Invention	PRC	ZL2024 1 1132818.9	August 19, 2024	August 18, 2044

As of the Latest Practicable Date, we had applied for the registration of the following patents which, in the opinion of our Directors, are material to our business:

No.	Patent name	Type of patent	Place of Registration	Application number	Applicant	Application date
1	A type of nutritionally complete formula food and its preparation method (一種全營養配方食品及其製備方法)	Invention	PRC	202510194839.1	Runmei Time	February 21, 2025
2	A type of highly effective, fast-acting and long-lasting hydroxyapatite implant sponge preparation method (一種高效速效長效的羥基磷灰石植入海綿劑的製備方法)	Invention	PRC	202411334353.5	Runmei Time	September 24, 2024
3	A type of fast-acting and highly effective hydroxyapatite colloidal aqueous solution preparation method (一種可快速起效、高效的羥基磷灰石膠體水溶液的製備方法)	Invention	PRC	202411334429.4	Runmei Time	September 24, 2024
4	A type of fast-acting, highly effective and sustained-release hydroxyapatite prefilled needle preparation method (一種快速起效、高效、緩釋的羥基磷灰石預充針的製備方法)	Invention	PRC	202411333671.X	Our Company	September 24, 2024

(c) Domain names

As of the Latest Practicable Date, our Group had registered the following domain names which, in the opinion of our Directors, were material to our business:

No.	Domain name	Name of Registered Proprietor	Date of Registration	Date of Expiry
1	dfyanmei.com	our Company	December 15, 2023	December 15, 2033
2	jsxihong.com	Jiangsu Xihong	July 13, 2017	July 13, 2025
3	rainmei.com.cn	Jiangsu Xihong	July 18, 2024	July 18, 2029

C. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company and its associated corporations

Immediately following the completion of the Share Subdivision, the **[REDACTED]** and conversion of **[REDACTED]** Shares into H Shares, and assuming the **[REDACTED]** is not exercised, the interests or short positions of Directors, Supervisors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to 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, under section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C1 of the Listing Rules (the "**Model Code**"), to be notified to our Company and the Stock Exchange once the H Shares are listed will be as follows:

Interest in Shares of our Company

Name	Nature of interest	Type of Shares[2]	Number of Shares[1][3]	Approximately percentage of shareholding in the relevant type of Shares[3]	Approximate percentage of shareholding in the total issued share capital[3]
Mr. Zhang Xinming . . .	Beneficial owner	**[REDACTED]** Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
		H Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
	Interest held jointly with another person[4]	**[REDACTED]** Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
		H Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
	Interest in controlled corporations[5]	**[REDACTED]** Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
		H Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
Dr. Fu Jie	Beneficial owner	**[REDACTED]** Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
		H Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
	Interest held jointly with another person[4]	**[REDACTED]** Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
		H Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%

Name	Nature of interest	Type of Shares[2]	Number of Shares[1][3]	Approximately percentage of shareholding in the relevant type of Shares[3]	Approximate percentage of shareholding in the total issued share capital[3]
Mr. Tang Haiwei	Beneficial owner	**[REDACTED]** Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
		H Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
	Interest held jointly with another person[4]	**[REDACTED]** Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%
		H Shares	**[REDACTED]** (L)	**[REDACTED]**%	**[REDACTED]**%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) For the avoidance of doubt, both **[REDACTED]** Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

(3) The number of Shares is presented based on the assumption that the Share Subdivision is completed. The calculation is based on the total number of **[REDACTED] [REDACTED]** Shares in issue, **[REDACTED]** H Shares to be converted from **[REDACTED]** Shares in issue and **[REDACTED]** H Shares to be issued pursuant to the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised).

(4) Pursuant to the Concert Party Agreement, Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei had consulted and would consult with each other and reach a unanimous consensus among themselves on the subject matters of any shareholders' resolutions of our Company to be passed pursuant to applicable constitutional documents or applicable laws and regulations during the acting in concert period. In the event that they are unable to reach consensus on any matter presented, the matter shall be decided by the individual who holds more Shares at the relevant time. For details of the Concert Party Agreement, see "History, Development and Corporate Structure — Concert Party Arrangements". By virtue of the SFO, each of Mr. Zhang Xinming, Dr. Fu Jie and Mr. Tang Haiwei are deemed to be interested in the Shares directly held by each other.

(5) The general partner of Ningbo Qianxi is Mr. Zhang Xinming. By virtue of the SFO, Mr. Zhang Xinming is deemed to be interested in the Shares held by Ningbo Qianxi.

(b) Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors are not aware of any persons (other than our Directors, Supervisors and chief executive of our Company) who will, immediately following the completion of the **[REDACTED]**, will have or be deemed or taken to have interests and/or short position in our Shares or underlying Shares which would be required to be disclosed 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 nominal value of any types of the issued voting shares of any member of our Group.

2. Particulars of Directors' and Supervisors' service contracts

Each of our Directors and Supervisors [has entered] into a service contract with our Company. The principal particulars of these service contracts comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' and Supervisors' remuneration

For the two years ended December 31, 2024, the aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions) paid or payable to our Directors and Supervisors were approximately RMB0.9 million and RMB2.6 million, respectively. For details, please refer to note 9 of the Accountants' Report set out in Appendix I to this document.

4. Agency fees or commissions received

Save as disclosed in "**[REDACTED]**" in this document, no commissions, discounts, agency fee, 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.

5. Disclaimers

(a) save as disclosed in this section, none of our Directors, Supervisors 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 Division 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 H Shares are **[REDACTED]** on the Stock Exchange;

(b) within the two years immediately preceding the date of this document, none of our Directors or Supervisors nor any of the experts referred to under "— E. Other Information — 6. Qualifications and consents of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have 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) save in connection with the **[REDACTED]** Agreements, none of our Directors or Supervisors nor any of the experts referred to under "— E. Other Information — 6. Qualifications and consents of experts" in this appendix, 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 or Supervisors 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 "Substantial Shareholders" and "— C. Further information about Directors, Supervisors and Substantial Shareholders — 1. Disclosure of interests" above, none of our Directors or Supervisors knows of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following the completion of the **[REDACTED]**, have an interest or short position in our Shares or underlying Shares which would fall to be disclosed under the provisions of Division 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, none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in any of our top five suppliers and top five customers during each year of the Track Record Period.

D. 2024 RESTRICTED SHARE SCHEME

The following is a summary of the principal terms of the 2024 Restricted Share Scheme as approved and adopted by the resolutions of our Shareholders at the extraordinary general meeting of our Company held on February 17, 2025 (the "**Scheme**"). Under the Scheme, the Participants (as defined below) may indirectly acquire our Company's interest by holding partnership interest in our employee incentive platform, namely Ningbo Qianhui, which of the Latest Practicable Date, directly held 721,000 Shares (being [1,422,000] Shares immediately following the Share Subdivision). For details, please see "History, Development and Corporate Structure". The terms of the Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Scheme does not involve the grant of share awards by our Company after the **[REDACTED]**.

(a) Purpose

The purpose of the Scheme is to improve our Company's incentive mechanisms to attract and motivate employees of our Group, encourage employees to serve our Group more effectively and stably over the long term, promote sustained growth in our Group's performance, enhance the overall value of our Company and create benefits for our employees so as to achieve mutual development for both our employees and our Company.

(b) Participants

Eligible participants of the Scheme (the "**Participants**") are the employees of our Group, including but not limited to deputy managers, directors, managers, supervisors and other key personnel of our Group whom the Scheme administrator considers appropriate pursuant the Scheme rules. Our Directors and/or senior management, Mr. Zhang Xinming, Dr. Fu Jie, Mr. Tang Haiwei and Mr. Wang Xuhai, will not be selected as Participants of the Scheme pursuant to the Scheme rules.

(c) Maximum number of the Incentive Shares

The maximum number of incentive Shares under the Scheme, which are restricted shares ("**Incentive Shares**") of the Company is 721,000 Shares as of the Latest Practicable Date (being [1,422,000] Shares immediately following the Share Subdivision), representing approximately **[REDACTED]**% of the total issued share capital of our Company immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), which shall be held by Ningbo Qianhui, our employee share incentive platform ("**Employee Incentive Platform**").

(d) Administration

The shareholders' meeting of our Company is responsible for considering and approving the Scheme, and has authorized Board to formulate and revise the Scheme.

The Board has been authorized to act as the Scheme administrator, and has the authority to determine, among others, the Participants, the number of Incentive Shares to be granted, the subscription price, the vesting criteria, the executive partner of the Employee Incentive Platform and other matters of the Scheme to the extent approved by the shareholders' meeting of our Company relating to the implementation and interpretation of the Scheme.

(e) Grant of Incentive Shares

The Participants shall subscribe for the capital contribution of the limited partnership interest in the Employee Incentive Platform according to the underlying Incentive Shares granted to them and make the corresponding payment, thereby indirectly holding the Incentive Shares by virtue of their capacity as limited partners of the Employee Incentive Platform.

All Participants do not have any direct voting right in our Company and will be entitled to received the economic interest attached to the underlying Incentive Shares held by the Employee Incentive Platform. All Participants acknowledge and agree that the executive partner of the Employee Incentive Platform, shall exercise the voting rights attached to the Incentive Shares pursuant to the terms of the partnership agreement entered into by the Participants and the Employee Incentive Platform.

(f) Subscription Price of the Incentive Shares

The subscription price of the Incentive Shares will be determined based on comprehensive consideration of factors by the Scheme administrator, including but not limited to the eligibility of a Participant and financial position of our Company at the time of grant of the Incentive Awards (as defined below), which will be stipulated in the grant letter agreed between a Participant and our Company.

(g) Lock-up Period and Exit Mechanism

The lock-up period (the "**Lock-up Period**") of the Scheme shall be 36 months from the **[REDACTED]** of the Company. Except as otherwise provided in the Scheme rules, during the lock-up period, the partnership interests in the Employee Incentive Platform, the underlying Incentive Shares and the economic interest (collectively, the "**Incentive Awards**") attached thereto granted by the Participants should not be transferred.

After the expiration of the Lock-up Period and subject to the applicable laws and regulations and the market condition, the executive partner of the Employee Incentive Platform shall, at such time as he deems appropriate within two years after the Lock-up Period, instruct the Employee Incentive Platform to dispose relevant Incentive Shares so that the Participants can cash out the Incentive Awards granted to them. The Employee Incentive Platform and its respective executive partner shall carry out the capital reduction procedures or partnership exit procedures following such disposal of relevant Incentive Shares. In addition, the Participants will be mandatorily removed from the Employee Incentive Platform upon the occurrence of certain events pursuant to the Scheme rules.

Details of the incentive Shares granted under the Scheme

As of the Latest Practicable Date, all the Incentive Shares under the Scheme were granted to 27 Participants through the Employee Incentive Platform. Given the underlying Incentive Shares under the Employee Incentive Scheme have already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the Incentive Shares under the Employee Incentive Scheme. The table below sets out the details of the Incentive Shares granted under the Scheme as of the Latest Practicable Date:

Name of the Participant	Position(s) in our Group	Date of grant	Number of underlying Incentive Shares granted as of the Latest Practicable Date	Number of Incentive Shares granted immediately following the Share Subdivision	Approximate percentage of indirect shareholding in our Company immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Mr. Lyu Xuefu	Supervisor	February 17, 2025	25,000	[50,000]	**[REDACTED]**
Ms. Chen Wenjie . . .	Supervisor	February 17, 2025	25,000	[50,000]	**[REDACTED]**
Mr. Zhang Tianming . .	General manager of Jiangsu Xihong, executive director and general manager of Jiangsu Hongjun, and executive director and general manager of Suqian Yanmei	February 17, 2025	223,000	[446,000]	**[REDACTED]**
Ms. He Wei	Deputy general manager of Runmei Time	February 17, 2025	48,000	[96,000]	**[REDACTED]**

Name of the Participant	Position(s) in our Group	Date of grant	Number of underlying Incentive Shares granted as of the Latest Practicable Date	Number of Incentive Shares granted immediately following the Share Subdivision	Approximate percentage of indirect shareholding in our Company immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Mr. Xu Zengsong . . .	Deputy general manager of Jiangsu Xihong	February 17, 2025	43,000	[86,000]	**[REDACTED]**
Other 22 employee Participants		February 17, 2025	357,000	[714,000]	**[REDACTED]**
Total			**721,000**	**[1,442,000]**	**[REDACTED]**

Note:

(1) For more details on the identities of other 22 employee Participants as limited partners of the Employee Incentive Platform under the Scheme, see "History, Development and Corporate Structure — 2024 Restricted Share Scheme".

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that currently no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the PRC.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, we had not been 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.

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 US$500,000 for acting as the sponsor for the **[REDACTED]**.

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares to be converted from **[REDACTED]** Shares and the H Shares to be issued pursuant to the **[REDACTED]**.

4. Preliminary expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

5. Promoters

The promoters of our Company comprise the following:

No.	Name of promoters of our Company
1	Zhang Xinming (張新明)
2	Beijing Sun-Novo Pharmaceutical Research Co., Ltd. (北京陽光諾和藥物研究股份有限公司)
3	Fu Jie (付劼)
4	Tang Haiwei (唐海威)
5	Ningbo Qianxi Enterprise Management Partnership (Limited Partnership) (寧波乾禧企業管理合夥企業(有限合夥))
6	Suzhou Jiahong Medical Management Partnership (Limited Partnership) (蘇州佳鴻醫療管理合夥企業(有限合夥))
7	Hainan Kangzhe Venture Capital Co., Ltd. (海南省康哲創業投資有限公司)
8	Zhao Rongji (趙榮吉)
9	Wang Xuhai (王緒海)
10	Liu Xiaodong (劉曉東)
11	Shenzhen Innovation Capital Investment Co. Ltd. (深圳市創新資本投資有限公司)
12	Li Yonglin (李用琳)
13	Wang Zhenguo (王振國)
14	Changzhou High-tech Investment Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (常州高新投新興產業股權投資基金合夥企業(有限合夥))
15	Wang Hongguang (王紅光)
16	Ji Lei (姬磊)
17	Zhang Ping (張萍)
18	Tan Jianxiong (譚建雄)
19	Shenzhen Gaoyuan Gongying Investment Partnership (Limited Partnership) (深圳市高遠共贏投資合夥企業(有限合夥))

Save as disclosed in the section headed "History, Development and Corporate Structure", 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 named above in connection with the **[REDACTED]** and the related transactions described in this document.

6. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualifications
CCB International Capital Limited. .	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young.	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Zhong Lun Law Firm	Legal advisors to our Company as to PRC law
Frost & Sullivan	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited. .	Independent property valuer

Each of the experts named above has given and has not withdrawn its respective 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.

7. 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 — 6. 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.

8. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix IV — Taxation and Foreign Exchange".

9. Binding effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) save as disclosed in "History, Development and Corporate Structure" in this document, no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or for a consideration other than cash;

(ii) save as disclosed in "History, Development and Corporate Structure" in this document, 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) save as disclosed in "**[REDACTED]**" in this document, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iv) save as disclosed in "**[REDACTED]**" in this document, no commission has been paid or is 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) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(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) there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared);

(e) no company within our Group is presently **[REDACTED]** on any stock exchange or **[REDACTED]** on any trading system;

(f) all necessary arrangements have been made to enable our H Shares to be admitted into **[REDACTED]** for clearing and settlement;

(g) our Company has no outstanding convertible debt securities or debentures;

(h) there is no arrangement under which future dividends are waived or agreed to be waived; and

(i) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any **[REDACTED]** or permission to **[REDACTED]** being or proposed to be sought.

11. Bilingual document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

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 VII — Statutory and General Information — E. Other Information — 6. Qualifications and consents of experts" to this document; and

(b) a copy of each of the material contracts referred to in "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" to this document.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**http://www.dfyanmei.com**) up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report 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 property valuation report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this document;

(f) the material contracts referred to in "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" to this document;

(g) the service contracts entered into between our Company and each of our Directors and Supervisors (as applicable) referred to in "Appendix VII — Statutory and General Information — C. Further Information about Directors, Supervisors and Substantial Shareholders — 2. Particulars of Directors' and Supervisors' Service Contracts" to this document;

(h) the rules of the 2024 Restricted Share Scheme;

(i) the legal opinion issued by Zhong Lun Law Firm, our PRC Legal Advisors, in respect of certain general corporate matters of our Group;

(j) the written consents referred to "Appendix VII — Statutory and General Information — E. Other Information — 6. Qualifications and consents of experts" to this document;

(k) the PRC Company Law, the PRC Securities Law, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, together with their unofficial English translation; and

(l) the industry report issued by Frost & Sullivan.