Application Proof of

CF PharmTech, Inc.
長風藥業股份有限公司

(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 "**SFC**") 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 joint sponsors, sponsor-overall coordinators, overall coordinators, 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 joint sponsors, sponsor-overall coordinators, overall coordinators, 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, advisors or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

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

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

(j) as there may be legal restrictions on the 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 SFC may accept, return or reject the application for the subject public offering and/or listing.

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

IMPORTANT

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

CF PharmTech, Inc.
長風藥業股份有限公司

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

[REDACTED]

Number of [REDACTED] in the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

Joint Sponsors

CITIC SECURITIES

招銀国际 CMB INTERNATIONAL

[REDACTED]

CITIC SECURITIES

招銀国际 CMB INTERNATIONAL

建银国际 CCB International

A copy of this document, having attached thereto the documents specified in "Appendix VIII — Documents Delivered to the Registrar of Companies and Available on Display" 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any other document referred to above.

The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and us on the **[REDACTED]**. The **[REDACTED]** is expected to be on or before **[REDACTED]** and in any event no later than 12:00 noon on **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]**. Applicants for Hong Kong **[REDACTED]** are required to pay, on application, the maximum **[REDACTED]** of HK$**[REDACTED]** for each Hong Kong **[REDACTED]** together with brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the **[REDACTED]** should be lower than HK$**[REDACTED]**. If, for any reason, the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and us are unable to reach an agreement on the **[REDACTED]**, the **[REDACTED]** will not **[REDACTED]** and will lapse.

The **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**, and with our consent) may, where considered appropriate and with our consent, reduce the number of **[REDACTED]** and/or the indicative **[REDACTED]** range that stated in this document at any time prior to the morning of the last day for lodging applications under the Hong Kong **[REDACTED]**. In such a case, notices of the reduction in the number of Hong Kong **[REDACTED]** and/or the indicative **[REDACTED]** range will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.cfpharmtech.com** as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the **[REDACTED]**. For more details, see the sections headed "Structure of the **[REDACTED]**" and "How to Apply for **[REDACTED]**" in this document.

Prior to making an **[REDACTED]** decision, prospective **[REDACTED]** should consider carefully all of the information set out in this document, including but not limited to the risk factors set out in the section headed "Risk Factors" in this document.

The obligations of the [REDACTED] under the [REDACTED] to [REDACTED] for, and to procure applicants for the [REDACTED] for, the Hong Kong [REDACTED], are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. Such grounds are set out in the section headed "[REDACTED] — [REDACTED] Arrangements and Expenses — [REDACTED] — Grounds for Termination" in this document.

[REDACTED]

[REDACTED]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

CONTENTS

IMPORTANT NOTICE TO [REDACTED]

This document is issued by us solely in connection with the [**REDACTED**] *and the* [**REDACTED**] *and does not constitute an* [**REDACTED**] *to sell or a solicitation of an* [**REDACTED**] *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* [**REDACTED**] *or a solicitation of an* [**REDACTED**] *to* [**REDACTED**] *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 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 [**REDACTED**] *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 Joint Sponsors, the* [**REDACTED**], *any of the* [**REDACTED**], *any of our or their respective directors, officers or representatives, or any other person or party involved in the* [**REDACTED**].

CONTENTS

CONTENTS

SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full document. You should read this document in its entirety before you decide to [**REDACTED**] *in the* [**REDACTED**]. *There are risks associated with any* [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set forth in "Risk Factors" of this document. You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OVERVIEW

We primarily focus on the R&D, manufacturing and commercialization of inhalation technologies and inhalation drugs, with a focus on treating respiratory diseases. We have developed a product portfolio with a broad coverage of patients, medical specialties, and therapeutic areas. We have obtained six product approvals from the National Medical Products Administration (NMPA) and the United States Food and Drug Administration (FDA) and generated significant sales revenue during the Track Record Period, demonstrating our capabilities across clinical development, manufacturing, regulatory affairs and commercialization.

Our first-approved product CF017, a budesonide suspension for inhalation targeting bronchial asthma (China's highest-selling inhalation drug category), marked our first approved product. Following the approval in May 2021, CF017 was rapidly included in China's volume-based procurement (VBP) scheme and has achieved market growth. During the Track Record Period, we relied heavily on the sales of CF017, with its sales revenue representing 96.2%, 98.4%, and 94.5% of our total revenue in 2022, 2023 and 2024, respectively. In 2024, CF017 accounted for approximately 16% of China's budesonide inhalation drug market in 2024 in terms of sales volume, according to F&S. CF017's successful commercialization has enabled us to enjoy significant revenue growth from RMB349.1 million in 2022 to RMB607.8 million in 2024 at a CAGR of 31.9%. This enables us to further reinvest in our pipeline with several products under late-stage clinical trials or PK-BE trials, approaching registration and commercialization in the near future.

Today, we are advancing the global development of over 20 product candidates in major markets including China, the U.S. and/or Europe, as well as emerging markets, such as Southeast Asia and South America. Our research explores novel formulations, such as liposomes and small-interfering RNA (siRNA) inhalation formulations, and expands into new disease areas, including central nervous system (CNS) disorders and anti-infectives. We are also developing new treatment methodologies, such as endobronchial valves (EBV), and developing potential first-in-class or first-in-China treatments for diseases that have a significant impact on patient lives, such as idiopathic pulmonary fibrosis (IPF) and pulmonary arterial hypertension (PAH).

Our facilities, compliant with regulations in our major markets, China, Europe, and the U.S., coupled with team's group expertise in the U.S. pharmaceutical industries, laid down the foundation to explore global market via direct or technical service collaborations, which was validated by the successful FDA approval of GW006, an arformoterol solution nebulizer for chronic obstructive pulmonary disease (COPD), in May 2024. Our marketing system have propelled our CF017 to cover over 10,000 medical institutions in China since its approval in May 2021. Our CF018, the first azelastine hydrochloride and fluticasone propionate nasal spray approved for allergic rhinitis in China, has also penetrated over 500 hospitals and medical institutions across multiple provinces, boosted by its inclusion in the 2023 National Reimbursement Drug List (NRDL).

OUR MARKET OPPORTUNITIES

Inhalation formulations are often described as drug-device combinations because they integrate pharmaceutical compounds with specialized delivery mechanisms (such as inhalers, nebulizers, or aerosol devices) that are essential for accurately targeting medication to the respiratory tract and achieving therapeutic efficacy. Inhalation formulations offer numerous crucial advantages over traditional drug delivery methods such as oral medications and injections. Inhalation drugs encompass a broad spectrum of conditions affecting the lungs, airways, and other structures involved in breathing.

Respiratory diseases constitute a substantial segment of the global healthcare market, driven by high prevalence rates, an aging population, and increased exposure to environmental pollutants. The global respiratory drug market is vast, driven by the increasing prevalence of respiratory diseases such as asthma, COPD and allergic rhinitis. The global respiratory drug market size was valued at US$99.9 billion (approximately RMB729.2 billion) in 2024, and it is projected to reach US$157.2 billion (approximately RMB1,147.4 billion) by 2033, growing at a CAGR of 5.2%. China, with its large population, accounts for a sizeable share of the global market, and yet has lower diagnosis and treatment rates than countries such as the United States, indicating growth potentials.

Leveraging the benefits of direct drug delivery to the lungs and systemic circulation, inhalation therapies are expanding its frontiers to other therapeutic areas, such as neurological disorders, infections and more. The global inhalation formulation market is expected to grow from US$31.0 billion (approximately RMB226.3 billion) in 2024 to US$61.6 billion (approximately RMB449.6 billion) in 2033 at a CAGR of 7.9%. China's market is expected to grow even faster, from RMB26.3 billion to RMB44.8 billion in the same period, at a CAGR of 6.1%, primarily driven by the growing awareness of inhalation formulations and their widening applications across various therapeutic areas.

For more details, see "Industry Overview."

OUR TECHNOLOGY PLATFORMS

Over the years, we have developed five technology platforms, which we believe encompass the most critical aspects in inhalation formulation development and serve as the foundation of our pipeline R&D.

- ***Particle engineering***. It is a cornerstone of successful inhalation formulations. Our particle engineering platform enables us to control every aspect of a drug particle, from its size, shape, density, surface characteristics, all of which can impact its delivery to the lungs.

- ***Device design***. We have developed major device design technologies, such as computational fluid dynamics (CFD) modeling, aerosol generation and precision dose metering, to optimize particle distribution, trajectory, and dose calibration. The result is a range of devices that are not only bioequivalent to marketed products but also set new standards in terms of portability, affordability, and ease of use for patients of all ages and abilities.

- ***Product performance evaluation.*** As a drug-device combination product, it is crucial to design performance testing methodologies and parameters to evaluate the performance of the inhalation formulation products. Our testing platform bridges the gap between laboratory testing and clinical performance, ensuring the safety and efficacy of our inhalation formulations prior to clinical use.

- ***Clinical development***. We have developed clinical development expertise to navigate the complex landscape of inhalation formulations, from designing and managing large-scale clinical trials, controlling variability in patient factors and device use, and ensuring compliance with regulatory standards. To support clinical development, we have built a regulatory affairs team and a multidisciplinary team of scientists, clinicians, and statisticians for efficient trial design, patient recruitment, and data collection and analysis.

- ***Process engineering***. We have been able to translate lab-scale formulations into commercially viable, industrial-scale manufacturing processes. Our expertise in process engineering allows us to design, optimize, and validate manufacturing processes that consistently deliver products, even as batch sizes increase from grams to tons.

For more details, see "Business — Our Technology Platforms."

OUR PRODUCT PORTFOLIO

Specializing in inhalation formulations, we have positioned our product portfolio primarily to focus on respiratory diseases, including asthma, COPD and allergic rhinitis. We have taken a strategic phased approach in inhalation drug development, leveraging the growing trend of import substitution in China's inhalation formulation market. In the first phase of our product development, we focused on developing products with limited availability in China that benchmarked global blockbuster inhalation products.

Beyond our first phase of inhalation products, we are also driving global innovation to push the boundaries of formulation applications. We are exploring novel inhalation formulations, such as liposomes and siRNA, and venturing into new therapeutic areas, including CNS disorders and anti-infectives. Moreover, we are developing new treatment methodologies like endobronchial valves (EBV) and developing potential first-in-class or first-in-China treatments for diseases that have a significant impact on patient lives, such as IPF and PAH.

The following illustrates our product portfolio and their respective development stages as of the Latest Practicable Date. For more details, see "Business — Our Product Portfolio."

SUMMARY

Notes:

(1) BA: bronchial asthma; COPD: chronic obstructive pulmonary disease; AR: allergic rhinitis; IPF: idiopathic pulmonary fibrosis; PAH: pulmonary arterial hypertension; CE: cluster epilepsy; DES: dry eye syndrome; MAC: mycobacterium avium complex

(2) Process validation has not yet completed

(3) Process validation is not required

RESEARCH AND DEVELOPMENT

Our R&D team is led by scientists with extensive experience in inhalation formulation drug development. We have established an R&D center at our headquarters, which includes several key departments: the inhalation drug development center, technology service center, technology development department, and innovation department. Our inhalation drug development center serves as our primary R&D hub, further divided by formulation type. The technology service center is responsible for our collaborations and technical services, as well as other emerging drug projects. The technology development department focuses on developing inhalation devices suitable for our products, while the innovation department is tasked with developing novel compounds for use in our products. Our R&D expenses amounted to RMB107.2 million, RMB132.8 million and RMB121.8 million for 2022, 2023 and 2024, respectively. In these same periods, we recognized capitalized R&D costs as additional deferred development costs of RMB16.1 million, RMB26.7 million and RMB38.7 million, respectively. For more details, see "Business — Research and Development."

MANUFACTURING

We have developed proprietary manufacturing techniques and established scalable production capabilities for all major types of inhalation formulations. Our manufacturing facilities in Suzhou, Jiangsu province, span a total gross floor area (GFA) of 8,163 square meters. As of December 31, 2024, we have utilized 61.4% of the total GFA and maintained a manufacturing team of 129 employees. In 2022, 2023 and 2024, 96.2%, 98.4% and 94.5% of our revenue is generated from sales of CF017, our manufacturing line was primarily used for suspension nebulizer products, while the production lines for other inhalation formulation formats were primarily used to support commercialization of other products and our R&D activities on a by-batch and as-needed basis. During the same period, our manufacturing facilities for CF017 operated at utilization rates of 80.2%, 95.9% and 97.6%, respectively.

Our current manufacturing facilities can support an annual production capacity of 240.0 million vials of suspension nebulizers, 50 million vials of solution nebulizers, 4 million canisters of nasal sprays, 2 million canisters of metered-dose inhaler (MDI) products, and 24 million doses of dry powder inhaler (DPI) products. We are expanding our manufacturing capabilities through a two-phase construction project. Phase I, scheduled for completion by the end of 2025, will primarily focus on soft mist inhaler (SMI) and nasal spray products. The first part of Phase II, expected to be operational by the end of 2026, will be dedicated to MDI and liposome products. For more details, see "Business — Manufacturing."

COMMERCIALIZATION

During the Track Record Period, substantially all of our revenue was generated from the sales of CF017. The following table summarizes our revenue breakdown during the Track Record Period.

	Approved Indication[1]	For the year ended December 31,					
		2022		2023		2024	
		RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales of products							
Inhalation products							
CF017	Bronchial Asthma	335,941	96.2	547,763	98.4	574,492	94.5
CF018	Allergic Rhinitis	416	0.1	1,330	0.2	23,888	3.9
Others[2]	Bronchial Asthma	–	–	453	0.1	270	0.1
Subtotal		*336,357*	*96.3*	*549,546*	*98.7*	*598,650*	*98.5*
Consumer health products[3]		9,635	2.8	3,686	0.7	4,575	0.8
Subtotal		*345,993*	*99.1*	*553,231*	*99.4*	*603,225*	*99.3*
Provision of technical services		3,134	0.9	3,190	0.6	4,527	0.7
Total		**349,127**	**100.0**	**556,421**	**100.0**	**607,752**	**100.0**

Notes:

(1) The indication represents the indication approved by the NMPA.

(2) Others represent CF036 and CF038.

(3) Consumer health products primarily include nasal cleaner sprays and solutions and eye atomizers, among others.

The following table summarizes the gross profit and gross profit margin of each of the products we sold and services we provided during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	Gross profit *RMB'000*	*Gross profit margin* *%*	*Gross profit* *RMB'000*	*Gross profit margin* *%*	*Gross profit* *RMB'000*	*Gross profit margin* *%*
Sales of products						
Inhalation products						
CF017	264,528	78.7	460,612	84.1	491,301	85.5
CF018	140	33.7	(4,792)[2]	N/A[2]	1,555	6.5
Others[1]	–	–	80	17.7	(1,803)[3]	N/A[3]
Subtotal	*264,668*	*78.7*	*455,901*	*83.0*	*491,053*	*82.0*
Consumer health products	2,437	25.3	739	20.0	(1,268)[4]	N/A[4]
Subtotal	*267,105*	*77.2*	*456,639*	*82.5*	*489,785*	*81.2*
Provision of technical services	350	11.2	869	27.2	1,587	35.1
Total	**267,455**	**76.6**	**457,508**	**82.2**	**491,372**	**80.9**

Notes:

(1) Others represent CF036 and CF038.

(2) We recorded gross loss and gross loss margin for CF018 in 2023 primarily due to the amortization and depreciation of CF018 and a decrease in its selling price following its inclusion in the NRDL. In 2022, CF018 only recorded a minimal sales volume as it was newly launched near year end, resulting in limited allocation of amortization and depreciation expenses to the cost of sales for that year. In 2023, as CF018 commenced commercial sales and its sales volume increased, we began to systematically amortize relevant intangible assets and depreciate production equipment, resulting in higher fixed costs allocated to each unit sold. Given the relatively low sales volume during the year, these fixed costs were not fully absorbed, leading to a gross loss for CF018 in 2023.

(3) We recorded gross loss and gross loss margin for CF036 and CF038 primarily because we made provisions for these products in anticipation of its sales performance in the future. Given the low sales volumes and intense market competition during the Track Record Period, we expect that a portion of inventories may not be sold at cost in the foreseeable future. As a result, we made provisions for inventory impairment, which were recognized in cost of sales.

(4) We recorded gross loss and gross loss margin for consumer health products in 2024 primarily due to the limited scale and non-core nature of this segment, making it more vulnerable to fluctuations in sales and costs.

The following table summarizes the average selling prices and sales volume of each of the inhalation products we sold during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	Average selling prices *RMB*	*Sales volume* *'000*	*Average selling prices* *RMB*	*Sales volume* *'000*	*Average selling prices* *RMB*	*Sales volume* *'000*
CF017	2.78	120,912	2.76	198,265	2.74	209,493
CF018	309.73	1	309.73	4	70.04	341
Others[(1)]	–	–	1.73	261	1.00	270
Total	**2.78**	**120,913**	**2.77**	**198,530**	**2.85**	**210,104**

Note:

(1) Others represent CF036 and CF038.

During the Track Record Period, we primarily adopted a distribution model to commercialize our products, particularly our inhalation formulation products. During the Track Record Period, all of our sales revenue were generated in the PRC. In 2022, 2023 and 2024, approximately 98.8%, 99.5% and 99.3% of our revenue from sale of products was generated from sales through distributors, who are our direct customers and are responsible for subsequently distributing our products to hospitals, other medical institutions and pharmacies.

The following table summarizes the breakdown of our revenue from sales of products by sales channels.

	For the year Ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Distributors						
CF017						
VBP	269,447	77.9	441,023	79.7	489,779	81.2
Non-VBP	66,494	19.2	106,740	19.3	84,713	14.0
CF018	416	0.1	1,330	0.2	23,888	4.0
Others	5,575	1.6	1,339	0.2	417	0.1
Subtotal	**341,933**	**98.8**	**550,432**	**99.5**	**598,797**	**99.3**
Direct sales	4,060	1.2	2,799	0.5	4,428	0.7
Total revenue from sales of products	**345,993**	**100.0**	**553,231**	**100.0**	**603,225**	**100.0**

As of December 31, 2024, we had a distribution network consisting of 95 distributors spanning over 31 provinces in the PRC. Our distributor selection process primarily considers factors such as scale and geographical coverage, capabilities in pharmaceutical procurement bidding, experience with inhalation formulation products, reputation, industry track record, delivery capabilities, compliance record, financial conditions, and creditworthiness. We manage our distributors through distribution agreements, policies, and measures to ensure their sales reflect genuine market demand and compliance with distribution agreement terms and conditions.

During the Track Record Period, to the best of our Directors' knowledge, all of our distributors were Independent Third Parties, and none were controlled by our current or former employees. None of our Directors or their respective associates or any shareholder of our Company who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company, have any interest in any of these distributors, and none of our Directors or their respective associates and our Single Largest Group of Shareholders have any present or past relationship (other than their relationship through our Group) with any of these distributors. In addition, to our best knowledge, there was no past or present relationship or arrangement, including family, business, financing, guarantee or otherwise, between us and our distributors during the Track Record Period. For more details, see "Business — Commercialization — Sales Model."

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our Company. Some of the major risks that we face include:

- We are largely dependent on sales of CF017 during the Track Record Period. If we are unable to maintain its sales volume, pricing levels and profit margins for our profitability could be adversely affected.

- If we are unable to maintain the sales volume, pricing levels and profit margins of our marketed products, our operations, revenue and profitability could be adversely affected.

- We face uncertainties arising from the VBP scheme in China, which could adversely affect our market share and profitability.

- We rely on our distribution network to sell and distribute our products, and if we fail to maintain and expand our distribution network, our business could be adversely affected.

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

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

- We incurred net losses in 2022 and may incur net losses in the future.

- The manufacturing of inhalation formulations is a complex process. If we suffer disruption to any of our manufacturing facilities, or encounter problems in manufacturing our products and product candidates, our business and results of operations could be adversely affected.

CUSTOMERS

Our revenue is primarily derived from the sales of inhalation formulation products to our distributors. Our revenue generated from our five largest customers in each year, on a consolidated basis, were RMB210.4 million, RMB386.3 million and RMB403.8 million in 2022, 2023 and 2024, respectively, representing 60.2%, 69.4% and 66.4% of our total revenue for the corresponding years. Our revenue from our largest customer in each year, on a consolidated basis, in 2022, 2023 and 2024 were RMB99.5 million, RMB174.6 million and RMB183.8 million, respectively, representing 28.5%, 31.4% and 30.2% of our total revenue for the corresponding years.

SUPPLIERS

During the Track Record Period, our suppliers primarily consisted of (i) technical service providers to assist us in the design and development of inhalation formulation products; (ii) suppliers of raw materials and consumables for our inhalation formulation development and manufacturing and (iii) suppliers of equipment and devices for our manufacturing activities and construction service providers. The raw materials procured for our inhalation formulation products primarily include active pharmaceutical ingredients (APIs), device components and other ancillary materials used for our R&D and manufacturing activities. We select our suppliers by taking into account of various factors, including costs and their capability, quality, reputation, delivery and regulatory compliance. We have established a stable business relationship with our suppliers for raw materials, which we believe have sufficient capacity to meet our demands.

Purchases from our five largest suppliers in each year, on a consolidated basis, were RMB43.4 million, RMB52.6 million and RMB70.5 million in 2022, 2023 and 2024, respectively, representing 41.1%, 34.3% and 44.5% of our total purchases for the corresponding years. Purchases from our largest supplier in each year, on a consolidated basis, in 2022, 2023 and 2024, were RMB13.3 million, RMB21.4 million and RMB28.5 million, respectively, representing 12.6%, 13.9% and 18.0% of our total purchases for the corresponding years.

INTELLECTUAL PROPERTY

Our intellectual property rights are critical to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patent and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, 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. We have a global portfolio of patents and patent applications to protect our drug candidates and technologies. As of the Latest Practicable Date, we owned (i) 56 issued patents, including 45 in mainland China, three in Hong Kong, one in the United States and seven in other jurisdictions, and (ii) 57 patent applications, including 25 in China, five in the United States, nine under the Patent Cooperation Treaty (PCT) and 18 in other jurisdictions. For more details, see "Business — Intellectual Property."

COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

We believe that the following are our competitive strengths and investment highlights: (i) we primarily focus on the R&D, manufacturing and commercialization of inhalation technologies and inhalation drugs with a broad product portfolio to treat respiratory diseases and beyond; (ii) we have a technology foundation that solidifies competitive advantages and drives innovation; (iii) we maintain a broad product portfolios to address needs for the majority of patients and healthcare providers in respiratory diseases and beyond; (iv) we are capable of scalable manufacturing while ensuring quality control; (v) we implement a global commercialization strategy with a proven track record; and (vi) our multi-disciplinary inhalation formulation team is led by seasoned management team with global expertise and strong shareholder support. For more details, see "Business — Competitive Strengths."

We intend to implement a business strategy with the following key components: (i) rapidly advance the global clinical development of our pipeline candidates and strengthen our product portfolio to cover a wider range of clinical areas; (ii) enhance our commercialization capabilities to expand our market share; (iii) pursue our global strategy; (iv) further strengthen our manufacturing capabilities and quality control standards; and (v) attract, retain and cultivate a diverse and international talent pool. For more details, see "Business — Our Strategies."

SUMMARY OF KEY FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income/(Loss) Items

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	**349,127**	**100.0**	**556,421**	**100.0**	**607,752**	**100.0**
Cost of revenue	(81,672)	(23.4)	(98,913)	(17.8)	(116,380)	(19.1)
Gross profit	**267,455**	**76.6**	**457,508**	**82.2**	**491,372**	**80.9**
Other income and gains	16,742	4.8	24,437	4.4	19,708	3.2
Selling and distribution expenses	(135,575)	(38.8)	(222,380)	(40.0)	(235,650)	(38.8)
Administrative expenses	(110,020)	(31.5)	(100,493)	(18.1)	(129,007)	(21.2)
Research and development expenses	(107,227)	(30.7)	(132,788)	(23.9)	(121,849)	(20.0)
(Loss)/Profit before tax	**(70,615)**	**(20.2)**	**22,443**	**4.0**	**19,184**	**3.2**
Income tax credit	21,216	6.1	9,283	1.7	1,904	0.3
(Loss)/Profit for the year	**(49,399)**	**(14.1)**	**31,726**	**5.7**	**21,088**	**3.5**
Other comprehensive income/(loss)	**415**	**0.1**	**(587)**	**(0.1)**	**(294)**	**0.0**
Total comprehensive (loss)/profit for the year	**(48,984)**	**(14.0)**	**31,139**	**5.6**	**20,794**	**3.4**

In 2022, 2023 and 2024, our gross profit was RMB267.5 million, RMB457.5 million and RMB491.4 million, representing a gross profit margin for the corresponding year of 76.6%, 82.2% and 80.9%, respectively. During the Track Record Period, 96.2%, 98.4%, and 94.5% of our total revenue in 2022, 2023 and 2024 was attributable to sales of our CF017. As such, our gross profit margin during the Track Record Period largely reflects the gross profit margin of our CF017. During the Track Record Period, the increase in our gross profit margin primarily reflects the economies of scale we achieved as our sales revenue from CF017 significantly grew. For details, see "Financial Information — Results of Operations."

We incurred net loss of RMB49.4 million in 2022, primarily because we only commenced large-scale commercialization of our first inhalation formulation product, CF017 in September 2021 and this product remained in ramp-up stage, whereas we incurred relatively high selling and marketing expenses to promote our inhalation formulation products; R&D expenses to develop new inhalation formulation products; and administrative expenses to support our daily

operation. As our business continues to expand, we have been able to enhance our economies of scale and became profitable in 2023. We recorded net profit of RMB31.7 million in 2023 and RMB21.1 million in 2024. For details, see "— Business Sustainability."

Non-IFRS Measure

To supplement our historical financial information, which is presented in accordance with IFRS, we also use adjusted profit/(loss) (non-IFRS measure) as additional financial measured, which are not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company by adjusting for potential impacts of items. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations. Our presentation of adjusted profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as analytical tools, and you should not consider them in isolation form, or as substitutes for analysis of, or our results of operations as reported under IFRS.

The following table reconciles our adjusted profit/(loss) (non-IFRS measure) for the years presented in accordance with IFRS, which is profit/(loss) for the year.

	For the year ended December 31,		
	2022	2023	2024
		RMB'000	
(Loss)/Profit for the year	**(49,399)**	**31,726**	**21,088**
Add:			
Share-based payment expenses	15,920	16,680	7,823
[**REDACTED**] expenses	–	–	22,963
Non-IFRS measure			
Adjusted (loss)/profit for the year (non-IFRS measure)	**(33,479)**	**48,406**	**51,874**

Notes:

(1) Share-based payment expenses are non-cash in nature.

(2) [**REDACTED**] expenses represent expenses related to the [**REDACTED**].

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2022	2023	2024
		RMB'000	
Total non-current assets	530,954	640,102	796,810
Total current assets	484,264	495,043	462,216
Total current liabilities	137,189	171,465	245,608
Net current assets	347,075	323,578	216,608
Total assets less current liabilities	878,029	963,680	1,013,418
Total non-current liabilities	16,103	53,657	74,136
Net assets	861,926	910,023	939,282

Our net current assets decreased from RMB347.1 million as of December 31, 2022 to RMB323.6 million as of December 31, 2023, primarily due to an increase of RMB34.3 million in our current liabilities, which was primarily attributable to an increase of RMB18.7 million in other payables and accruals and RMB14.1 million in trade and bills payables, which is generally in line with our business growth. Our net current assets decreased from RMB323.6 million as of December 31, 2023 to RMB216.6 million as of December 31, 2024, primarily due to an increase of RMB74.1 million in our current liabilities, which was primarily attributable to an increase of RMB62.6 million in other payables and accruals and RMB17.7 million in interest-bearing borrowings, which is also in line with our business growth.

Our net assets increased from RMB861.9 million as of December 31, 2022 to RMB910.0 million as of December 31, 2023, primarily attributable to profit for the year of RMB31.7 million and share-based payments of RMB17.0 million. Our net assets increased from RMB910.0 million as of December 31, 2023 to RMB939.3 million as of December 31, 2024, primarily attributable to profit for the year of RMB21.1 million and share-based payments of RMB8.5 million. See consolidated statements of changes in equity in the Accountants' Report set out in Appendix I of this document for details.

Summary of Consolidated Statements of Cash Flow

	For the year ended December 31,		
	2022	2023	2024
		RMB'000	
(Loss)/profit before tax	(70,615)	22,443	19,184
Adjustment for cash flows from operating activities before movement of working capital[(1)]	41,436	63,705	65,384
Changes in working capital[(2)]	74,646	30,144	11,891
Net cash flows from operating activities	45,467	116,292	96,459
Net cash flows used in investing activities	(151,422)	(127,652)	(113,437)
Net cash flows from/(used in) financing activities	(5,409)	7,875	28,690
Net increase/(decrease) in cash and cash equivalents	(111,364)	(3,485)	11,712
Cash and cash equivalents at beginning of the year	183,285	74,838	70,612
Effect of foreign exchange differences, net	2,917	(741)	(387)
Cash and cash equivalents at the end of the year	74,838	70,612	81,937

Notes:

(1) Adjustment for cash flows from operating activities before movement of working capital is equal to the sum of finance costs, share of profits and losses from an associate, interest income from bank deposits with an original maturity of more than three months when acquired, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets, gain or loss on disposal of items of property, plant and equipment, gain or loss on early termination of leases, gains on financial assets at fair value through profit or loss, impairment of inventories, impairment losses on financial assets, equity-settled share-based payment expenses, and net foreign exchange differences.

(2) Changes in working capital is equal to the sum of increases in inventories, increase or decrease in trade receivables, increase or decrease in prepayments, other receivables and other assets, changes in restricted cash, increase or decrease in other non-current assets, increase or decrease in trade payables, increase or decrease in other payables and accruals, increase or decrease in deferred income, and changes in other non-current liabilities.

For details, see "Financial Information — Liquidity and Capital Resources — Cash Flows."

Key Financial Ratios

	As of December 31,		
	2022	2023	2024
Revenue growth	N/A	59.4%	9.2%
Gross profit margin	76.6%	82.2%	80.9%
Net profit/(loss) margin	(14.1%)	5.7%	3.5%
Adjusted net profit/(loss) margin	(9.6%)	8.7%	8.5%
Current ratio	3.53	2.89	1.88
Quick ratio	3.32	2.68	1.69

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

BUSINESS SUSTAINABILITY

Our Historical Performance

Since our inception, we have been dedicated to the development of inhalation drug delivery technology, with a focus on treating respiratory diseases. Over the past 12 years, we have established technology platforms across a full spectrum of inhalation formulations, including nebulizers, nasal sprays, DPIs, MDIs and SMIs, with capabilities across particle engineering, device design, process engineering, and clinical development. Leveraging these capabilities, we advanced a pipeline of inhalation drugs for major respiratory diseases such as asthma and COPD. Our efforts in technology build-up and drug development over the years necessitated significant investments in R&D, which resulted in accumulated losses of RMB808.3 million as of January 1, 2022.

For a period-on-period analysis of our financial performance, see "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income/(Loss) Items" and "Financial Information — Results of Operations."

Our Strategies to Deliver Sustainable Revenue Growth and Profitability

We believe there will continue to be a significant demand for inhalation formulation drugs in the treatment and management of respiratory diseases. The global respiratory drug market is vast, driven by the increasing prevalence of respiratory diseases such as asthma, COPD and allergic rhinitis. It is estimated that nearly 2.5 billion people worldwide are living with chronic respiratory diseases today, and this number is expected to grow in the future. The global respiratory drug market size was valued at US$99.9 billion (approximately RMB729.2 billion) in 2024, and it is projected to reach US$157.2 billion (approximately RMB1,147.4 billion) by 2033, growing at a CAGR of 5.2%. Being a major application of inhalation formulations, the inhalation formulation market for respiratory disease in China is expected to grow from RMB23.2 billion in 2024 to RMB35.1 billion in 2033 at a CAGR of 4.7% from 2024 to 2033.

Going forward, we expect to sustain our revenue growth and maintain profitable taking into account the following factors. Going forward, we expect to sustain our revenue growth and maintain profitability by driving sales of our existing products, diversifying our revenue sources through new product launches, improving selling and distribution efficiency, and enhancing economies of scale. For details, see "Business — Business Sustainability."

Our Directors believe that, considering the above, our business is, and will continue to be sustainable and profitable in the future.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS AND ACTING-IN-CONCERT AGREEMENT

Pursuant to the Acting-in-Concert Agreement, Dr. LIANG and Dr. LI LI BOVET have confirmed that they have been acting in concert with each other since April 2013 and will continue to act in concert until the third anniversary from the [**REDACTED**], provided the [**REDACTED**] is completed prior to March 31, 2028, subject to further extension. Dr. Jean-Marc BOVET, a limited parter of Suzhou Minmei, is the spouse of Dr. LI LI BOVET. Consequently, Dr. LIANG and Dr. LI LI BOVET, together with their controlled entities (HK Pyramid, Suzhou Pyramid, Suzhou Minmei, Suzhou Yuanchen, Suzhou Dachen, Suzhou Yuansheng, Suzhou Wolun, HK Gentiana and Suzhou Meizhongrui) and Dr. Jean-Marc BOVET, constitute our Single Largest Group of Shareholders. As of the Latest Practicable Date, our Single Largest Group of Shareholders was entitled to exercise the voting rights attached to approximately 27.2% of the total issued share capital of our Company. Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), our Single Largest Group of Shareholders will be entitled to exercise the voting rights attached to approximately [**REDACTED**]% of our total issued share capital. For details, see "Relationship with Our Single Largest Group of Shareholders."

PRE-[REDACTED] INVESTMENTS

Since the establishment of our Group, we have attracted certain Pre-[**REDACTED**] Investors to raise funds for fueling the development of our business. Our Pre-[**REDACTED**] Investors include a select group of professional investment companies, such as Future Industry Investment Fund (Limited Partnership) (先進製造產業投資基金(有限合夥)) (FIIF). For details of background of the Pre-[**REDACTED**] Investors and the principal terms of the Pre-[**REDACTED**] Investments, see "History, Development and Corporate Structure."

EMPLOYEE INCENTIVE SCHEME

Each of Suzhou Minmei, Suzhou Yuanchen, Suzhou Wolun, Suzhou Yuansheng and Suzhou Dachen was established in the PRC as our employee incentive platforms to implement the Employee Incentive Scheme. As of the Latest Practicable Date, our employee incentive platforms, in aggregate, held 50,957,464 Shares in our Company, representing 13.7% of the share capital of our Company, of which a total of 43,394,188 Shares were to implement the Employee Incentive Scheme and the remaining 7,563,276 Shares were personal interests of Dr.

LIANG (held through Suzhou Pyramid) and Dr. LI LI BOVET (held through Suzhou Meizhongrui), which were not subject to the Employee Incentive Scheme. For details of our employee incentive platforms and Employee Incentive Schemes, see "History, Development and Corporate Structure — Corporate Development and Major Shareholding Changes of Our Company — Employee Incentive Platforms" and "Appendix VII — Statutory and General Information — D. Employee Incentive Scheme."

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [**REDACTED**] of the Stock Exchange for the grant of the [**REDACTED**] of, and permission to [**REDACTED**], our H Shares to be issued pursuant to the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]), on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules.

[REDACTED][(1)]

	Based on an [REDACTED] of HK$[REDACTED]	Based on an [REDACTED] of HK$[REDACTED]
[**REDACTED**] of our total Shares[(2)]	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of our Company per Share as of December 31, 2024[(3)]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

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

(2) The calculation of [**REDACTED**] of our Shares is based on [**REDACTED**] Shares expected to be in issue immediately after the [**REDACTED**], including [**REDACTED**] H Shares to be issued pursuant to the [**REDACTED**] without any exercise of the [**REDACTED**].

(3) The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of our Company per Share as of December 31, 2024 is calculated after making the adjustments referred to in "Financial Information — Unaudited [**REDACTED**] Statement of Adjusted Consolidated Net Tangible Assets" and "Appendix II — Unaudited [**REDACTED**] Financial Information."

[REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range stated in this document and without taking into account any exercise of the [**REDACTED**]. We currently intend to apply these [**REDACTED**] for the following purposes: (i) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used

to fund the ongoing R&D and clinical development of our established inhalation formulation product candidates, both domestically and internationally; (ii) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund our pre-clinical R&D across multiple other pipeline programs and our technology platforms; (iii) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund the expansion and upgrade of our manufacturing facilities, equipment procurement, and production management systems; and (iv) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for working capital and other general corporate purposes. For further details, please see "Future Plans and Use of [**REDACTED**]."

DIVIDENDS

During the Track Record Period, we did not declare or pay any dividends. As advised by our PRC Legal Advisor, according to PRC Company Law and our Articles of Association, we are not to distribute dividends when there are accumulated losses. After the completion of the [**REDACTED**] and when there are no longer any accumulated losses, we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. We do not have any formal dividend policy or pre-determined dividend payout ratio. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders in a general meeting may approve any declaration of dividends.

[**REDACTED**] EXPENSES

[**REDACTED**] expenses to be borne by us mainly include (i) [**REDACTED**]-related expenses, such as [**REDACTED**] fees and commissions, and (ii) non-[**REDACTED**]-related expenses, comprising professional fees paid to our legal advisors and reporting accountants for their services rendered in relation to the [**REDACTED**], and other miscellaneous fees and expenses. Assuming full payment of the [**REDACTED**] fee, the total [**REDACTED**] expenses to be borne by us are estimated to be approximately RMB[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] range stated in this document, and without exercise of the [**REDACTED**]. Among our total [**REDACTED**] expenses, we expect to pay [**REDACTED**]-related expenses of RMB[**REDACTED**] and non-[**REDACTED**]-related expenses of RMB[**REDACTED**]. During the Track Record Period, we recognized [**REDACTED**] expenses of RMB23.0 million in relation to the [**REDACTED**] as our administrative expenses in 2024. Except for approximately RMB[**REDACTED**] expected to be charged to our consolidated statements of profit or loss and other comprehensive income/(loss), all of our remaining [**REDACTED**] expenses of RMB[**REDACTED**] are expected 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.

IMPACT OF THE COVID-19 PANDEMIC

During the COVID-19 pandemic, our clinical activities, such as subject enrollment and clinical trials, were temporarily delayed, and some of our commercialization activities, such as business development, were conducted through online channels. Save as disclosed above, we did not experience any material disruptions during the outbreak of the COVID-19 pandemic for our clinical, commercialization and manufacturing activities and we had not experienced material disruptions to our supply chain either. Our Directors confirm that there has been no material adverse impact from the COVID-19 outbreak during the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since December 31, 2024 and up to the Latest Practicable Date, we continued to advance the R&D of our inhalation formulation candidates, and advance the commercialization of our approved products.

Our CF017 was included in the VBP list for eight provinces in 2021 and such VBP list has an effective period of three years. the current batch of VBP inclusion is conducted at the regional level, where several provinces form an alliance and conduct the VBP together. As of the Latest Practicable Date, we had completed the VBP status inclusion for CF017 in an alliance led by Jiangsu province ("**Jiangsu Alliance**") under the 2025 VBP scheme, which consists of 11 provinces. The effective period for the 2025 VBP Scheme in Jiangsu Alliance is three years. For details, see "Business — Sales and Marketing — Future Commercialization Strategy for CF017" and "Risk Factors — Risks Relating to Our Business and Industry — We face uncertainties arising from the VBP scheme in China, which could adversely affect our market share and profitability."

In the three months ended March 31, 2025, we recorded sales of CF017 of 41.6 million doses through VBP channels and 6.5 million doses through non-VBP channels.

In March 2025, our production facilities of CF017 in the PRC have successfully obtained the GMP certification from Saudi Arabia, laying a solid foundation for our Middle East market penetration. As a first step, we received a purchasing order with a contractual amount of US$350,000 from one customer in Saudi Arabia, which is expected to be delivered in May 2025.

Our Directors confirm that, as far as they are aware, there had been no material adverse change in our financial, trading position or prospects since December 31, 2024, being the date of our latest audited consolidated financial statements as set out in "Appendix I — Accountants' Report" of this document, up to the date of this document.

PROPERTY VALUATION

The Property Valuation Report from Cushman & Wakefield Limited, an independent property valuer, set out in Appendix III to this document, sets out details of the properties we owned and occupied as of April 30, 2025. Cushman & Wakefield Limited is of the opinion that the total market value of our properties as of April 30, 2025 was RMB307.0 million. For details, see "Financial Information — Property Valuation" and "Appendix III — Property Valuation Report".

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

"Accountants' Report"	the accountants' report prepared by Ernst & Young, the text of which is set out in Appendix I to this document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of the Company adopted on September 30, 2024, which will become effective upon the [**REDACTED**] and as amended from time to time, a summary of which is set out in Appendix VI to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"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**]

[**REDACTED**]

"CF Hong Kong"	CF PHARMTECH HONGKONG LIMITED, a limited liability company incorporated in Hong Kong on November 3, 2023, and a wholly-owned subsidiary of our Company
"CF International"	CF PHARM TECH INTERNATIONAL LIMITED, a limited liability company incorporated in the Cayman Islands on May 20, 2015, and a wholly-owned subsidiary of our Company
"CF USA"	CF PharmTech USA, Inc., a limited liability company incorporated in the U.S. on June 22, 2015, and a wholly-owned subsidiary of our Company
"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 include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	CF PharmTech, Inc. (長風藥業股份有限公司), a limited liability company established in the PRC on January 24, 2013 and converted into a joint stock company with limited liability on June 8, 2016, and formerly known as Suzhou CF PharmTech Co., Ltd. (蘇州長風藥業有限公司)
"Company Law" or "PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"Compliance Advisor"	Soochow Securities International Capital Limited
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Conversion of Unlisted Shares into H Shares"	the conversion of 261,025,586 Unlisted Shares into H Shares on a one-for-one basis upon the completion of [**REDACTED**]. Filing of such conversion of Unlisted Shares into H shares has been completed with the CSRC on [●] and an application for H Shares to be [**REDACTED**] on the Stock Exchange has been made to the [**REDACTED**]
"core connected person"	has the meaning ascribed thereto under the Listing Rules
"CSDC"	China Securities Depository and Clearing Co., Ltd. (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Director(s)" or "our Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"Dr. LI LI BOVET"	Dr. LI LI BOVET, one of our co-founders, an executive Director, the chief scientific officer of our Company and a member of our Single Largest Group of Shareholders

"Dr. LIANG"	Dr. LIANG Bill Wenqing, one of our co-founders, the chairperson of the Board, an executive Director, the chief executive officer of our Company and a member of our Single Largest Group of Shareholders
"EIT"	enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time
"EMA"	the European Medicines Agency
"Employee Incentive Scheme"	the employee incentive scheme as adopted in February 2014 and last revised in September 2024, the principal terms of which are summarized in "Appendix VII — Statutory and General Information — D. Employee Incentive Scheme"
"EU"	European Union
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FDA"	the United States Food and Drug Administration
"FIIF"	Future Industry Investment Fund (Limited Partnership) (先進製造產業投資基金(有限合夥)), a limited partnership established in the PRC on May 11, 2015, and one of our Pre-[**REDACTED**] Investors
"FIL"	Foreign Investment Law of the PRC (《中華人民共和國外商投資法》)
	[**REDACTED**]
"F&S"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company and Independent Third Party, which prepared the F&S Report

"F&S Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this document
	[**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 its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guangzhou CF"	CF Suyue Pharmaceutical (Guangzhou) Co., Ltd. (長風蘇粵藥業(廣州)有限公司), a limited liability company established in the PRC on April 23, 2024 and wholly owned by CF Hong Kong, and an indirectly wholly-owned subsidiary of our Company
	[**REDACTED**]
"H Share(s)"	overseas listed foreign share(s) in our ordinary share capital, with nominal value of RMB1.00 each in the share capital of our Company, which are to be subscribed for and traded in HK dollars, and for which an application has been made for [**REDACTED**] and permission to [**REDACTED**] on the Stock Exchange
"HK Gentiana"	Gentiana International Corporation Limited, a limited liability company incorporated in Hong Kong on July 2, 2015, wholly owned by Dr. LI LI BOVET and a member of our Single Largest Group of Shareholders
"HK Pyramid"	Pyramid Investment Limited, a limited liability company incorporated in Hong Kong on June 25, 2015, wholly owned by Dr. LIANG and a member of our Single Largest Group of Shareholders

[**REDACTED**]

[**REDACTED**]

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

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hongkong Vista"	Hongkong Vista Innovation Limited (香港遠見創新有限公司), a limited liability company incorporated in Hong Kong on May 8, 2025,and a wholly-owned subsidiary of our Company
"IASB"	International Accounting Standards Board
"IFRS"	the International Financial Reporting Standards as issued by the IASB, which comprise the IFRS Accounting Standards, International Accounting Standards, Interpretations developed by the IFRS Interpretations Committee or its predecessor body, the Standing Interpretations Committee
"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules

[**REDACTED**]

"Jiangsu CF"	CF PharmTech JiangSu Limited (江蘇長風藥業有限公司), a limited liability company established in the PRC on April 19, 2011, and a wholly-owned subsidiary of our Company
"Jiangyin CF"	Jiangyin CF PharmTech Co., Ltd. (江陰長風醫藥科技有限公司), a predecessor and a historical Shareholder of our Company, which established in the PRC on December 18, 2007 and deregistered on June 3, 2014
	[**REDACTED**]
"Joint Sponsors"	the joint sponsors as named in "Directors, Supervisors and Parties Involved in the [**REDACTED**]" in this document
"Latest Practicable Date"	June 4, 2025, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
	[**REDACTED**]
"Listing Guide"	the Guide for New Listing Applicants as published by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange

"Meimin Investment"	Suzhou Meimin Enterprise Management Center (Limited Partnership) (蘇州美閩企業管理中心(有限合夥)), a limited partnership established in the PRC on August 3, 2016. Ms. ZHU Yuyu, an executive Director, Ms. CHENG Xiangfeng, a Supervisor, and Ms. LI Lihua, an Independent Third Party, act as its general partners, making it a connected person of our Company
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"NEEQ"	the National Equities Exchange and Quotation (全國中小企業股份轉讓系統)
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NRDL"	the National Reimbursement Drug List of China

[**REDACTED**]

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Legal Advisors"	Zhong Lun Law Firm, the legal advisors to the Company as to the laws of the PRC
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998 and became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time
"Pre-[**REDACTED**] Investment(s)"	the pre-[**REDACTED**] investment(s) in the Company undertaken by the Pre-[**REDACTED**] Investor(s), details of which are set out in "History, Development and Corporate Structure — Pre-[**REDACTED**] Investments" in this document
"Pre-[**REDACTED**] Investor(s)"	the investor(s) of Pre-[**REDACTED**] Investment(s)

[**REDACTED**]

[**REDACTED**]

"R&D"	research and development

[**REDACTED**]

"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"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"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所), a stock exchange operating independently in mainland China
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of our Share(s)
"Shengyuan Investment"	Suzhou Shengyuan Enterprise Management Center (Limited Partnership) (蘇州晟源企業管理中心(有限合夥)), a limited partnership established in the PRC on May 26, 2020. Ms. ZHU Yuyu, an executive Director, acts as its general partner, making it a connected person of our Company

"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所), a stock exchange operating independently in mainland China
"Single Largest Group of Shareholders"	Dr. LIANG, Dr. LI LI BOVET, HK Pyramid, Suzhou Pyramid, Suzhou Minmei, Suzhou Yuanchen, Suzhou Dachen, Suzhou Yuansheng, Suzhou Wolun, HK Gentiana, Suzhou Meizhongrui and Dr. Jean-Marc BOVET
"SSE STAR Market"	the Shanghai Stock Exchange Science and Technology Innovation Board (上海證券交易所科創板)
"STA"	State Taxation Administration (中華人民共和國國家税務總局)
	[**REDACTED**]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiarie(s)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Supervisory Committee"	the supervisory committee of our Company
"Suzhou CF Instruments"	Suzhou CF Medical Instruments Co., Ltd. (蘇州長風醫療器械有限公司), a limited liability company established in the PRC on November 9, 2022, and a wholly-owned subsidiary of our Company
"Suzhou CF Health"	Suzhou CF Health Technology Co., Ltd. (蘇州長風健康科技有限公司), a limited liability company established in the PRC on October 28, 2022, and a wholly-owned subsidiary of our Company

"Suzhou CF Pharmaceutical"	Suzhou CF Pharmaceutical Research and Development Co., Ltd. (蘇州長風藥物研發有限公司), a limited liability company established in the PRC on November 9, 2022, and an indirectly wholly-owned subsidiary of our Company
"Suzhou Dachen"	Suzhou Dachen Enterprise Management Partnership (Limited Partnership) (蘇州達辰企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 4, 2023, and one of our employee incentive platforms
"Suzhou Meizhongrui"	Suzhou Meizhongrui Investment Management Enterprise (Limited Partnership) (蘇州美中瑞投資管理企業(有限合夥)), a limited partnership established in the PRC on August 19, 2015, and a member of our Single Largest Group of Shareholders
"Suzhou Minmei"	Suzhou Minmei Investment Management Enterprise (Limited Partnership) (蘇州閩美投資管理企業(有限合夥)), a limited partnership established in the PRC on April 16, 2013, and one of our employee incentive platforms and a member of our Single Largest Group of Shareholders
"Suzhou Pyramid"	Suzhou Pyramid Investment Management Enterprise (Limited Partnership) (蘇州嶺頭投資管理企業(有限合夥)), a limited partnership established in the PRC on August 19, 2015, and a member of our Single Largest Group of Shareholders
"Suzhou Wolun"	Suzhou Wolun Enterprise Management Center (Limited Partnership) (蘇州沃倫企業管理中心(有限合夥)), a limited partnership established in the PRC on May 18, 2020, and one of our employee incentive platforms and a member of our Single Largest Group of Shareholders
"Suzhou Wusheng"	Suzhou Wusheng Technology Co., Ltd. (蘇州霧笙科技有限公司), a limited liability company established in the PRC on February 8, 2024 and wholly owned by CF Hong Kong, and an indirectly wholly-owned subsidiary of our Company

"Suzhou Yuanchen"	Suzhou Yuanchen Enterprise Management Center (Limited Partnership) (蘇州遠辰企業管理中心(有限合夥)) (formerly known as Kunshan Yuanchen Enterprise Management Center (Limited Partnership) (昆山遠辰企業管理中心(有限合夥))), a limited partnership established in the PRC on July 1, 2020, and one of our employee incentive platforms and a member of our Single Largest Group of Shareholders
"Suzhou Yuansheng"	Suzhou Yuansheng Enterprise Management Partnership (Limited Partnership) (蘇州遠昇企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 4, 2023, and one of our employee incentive platforms
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended December 31, 2022, 2023 and 2024
"Trial Administrative Measures"	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》) released by the CSRC on February 17, 2023 and took effect on March 31, 2023
"U.S. dollars," "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

[**REDACTED**]

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

"Unlisted Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
"VAT"	value added tax

[**REDACTED**]

"Wuxi CF"	CF PharmTech Wuxi Limited (無錫長風醫藥科技有限公司), a limited liability company established in the PRC on August 24, 2021, and a wholly-owned subsidiary of our Company
"%"	per cent

GLOSSARY OF TECHNICAL TERMS

The following is a glossary of certain terms used in this document in connection with us and/or our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"AE"	adverse effects
"API"	active pharmaceutical ingredient, the biologically active component in a pharmaceutical drug that produces the intended therapeutic effect. APIs are responsible for diagnosing, curing, mitigating, treating, or preventing diseases and are formulated in precise dosages to ensure efficacy and safety. In the context of inhalation therapies, APIs are delivered directly to the respiratory system, enhancing the medication's effectiveness while minimizing systemic exposure
"BD"	business development
"BE"	bioequivalence studies, research studies designed to compare the bioavailability of two pharmaceutical substances, typically a generic drug and its brand-name counterpart. BE studies ensure that the generic drug performs in the same manner as the original drug in terms of absorption, distribution, metabolism, and excretion, thereby validating its therapeutic equivalence
"bioavailability"	the proportion of a drug that enters the systemic circulation when introduced into the body and is available for therapeutic action. High bioavailability indicates that a drug is effectively absorbed and utilized by the body, which is crucial for the efficacy of inhalation therapies
"bronchodilator"	a class of drugs that relaxes the smooth muscles of the airways, thereby alleviating breathing difficulties. Primarily used to treat chronic respiratory diseases such as asthma and COPD
"CDMO"	contract development and manufacturing organization, normally being a company that serves other companies on a contract basis to provide comprehensive services from drug development through drug manufacturing

"CFD"	computational fluid dynamics, a method using computer simulations to analyze and predict the behavior of fluids, including liquid and gas flows under various conditions
"chronic respiratory diseases"	a group of persistent or recurring conditions that affect the lungs and airways, including asthma, COPD, and allergic rhinitis. These diseases contribute significantly to the global healthcare burden due to their high prevalence, chronic nature, and significant impact on quality of life
"CMC"	chemistry, manufacturing and controls, also commonly referred to as process development, which covers the comprehensive documentation and processes that define the chemical composition, manufacturing procedures, and quality control measures for pharmaceutical products. CMC encompasses the development, scale-up, and validation of manufacturing methods to ensure consistent product quality and compliance with regulatory standards
"CNS"	central nervous system, a system comprises the brain and spinal cord, responsible for processing sensory information and coordinating bodily functions. It serves as the primary target for therapies addressing neurological and psychiatric disorders
"COPD"	chronic obstructive pulmonary disease, a group of progressive lung diseases, including emphysema and chronic bronchitis, that cause airflow blockage and breathing-related problems. COPD is a primary target indication for many inhalation formulations, aiming to relieve symptoms and improve quality of life
"CRO"	contract research organization, an organization that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"DPI"	dry powder inhaler, a type of inhalation device that delivers medication to the lungs in the form of a dry powder. DPIs do not require propellants and rely on the patient's inhalation effort to disperse the powder into respirable particles

"EBV"	endobronchial valve, a minimally invasive medical device used to treat emphysema, an advanced form of COPD. EBVs are placed in the airways of the most damaged lung lobes to allow air and secretions to escape during exhalation while blocking air entry during inhalation, promoting the collapse of the treated lobe and reducing lung hyperinflation
"excipients"	inactive substances formulated alongside the API in a drug product, which play various roles, including aiding the manufacturing process, enhancing drug stability, and improving the delivery and absorption of the active ingredient in inhalation formulations
"First Posted Date"	the date on which the trial record or the clinical application record was first available publicly
"GCP"	good clinical practice, an international ethical and scientific quality standard developed by International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use for designing, conducting, recording and reporting trials that involve the participation of human subjects
"GFA"	gross floor area
"GMP"	good manufacturing practice, a system for ensuring that products are consistently produced and controlled according to quality standards. GMP covers all aspects of production, from raw materials to finished products, ensuring the safety, quality, and efficacy of pharmaceutical products
"ICS"	inhaled corticosteroids, a form of inhaled steroid medication primarily used to reduce inflammation in the airways, controlling and preventing asthma and COPD symptoms. ICS are typically used as long-term maintenance therapy to help patients reduce the frequency and severity of acute exacerbations

"inhalation formulation"	pharmaceutical products designed to be administered directly into the respiratory tract through inhalation. These formulations are typically used to deliver drugs for the treatment of respiratory diseases such as asthma, COPD, and other pulmonary conditions
"IPF"	idiopathic pulmonary fibrosis, a progressive lung disease characterized by scarring and stiffening of lung tissue, leading to a decline in lung function over time. IPF primarily affects older adults and has a poor prognosis, with a five-year survival rate estimated between 20% to 40%
"LABA"	long-acting beta agonists, a class of bronchodilators that provide sustained bronchodilation by stimulating beta-adrenergic receptors in the airway smooth muscles. Commonly used in combination with ICS to enhance therapeutic effects and reduce the risk of asthma exacerbations
"LAMA"	long-acting muscarinic antagonists, a class of bronchodilators that provide sustained bronchodilation by blocking muscarinic receptors in airway smooth muscles. Used as maintenance therapy in COPD and severe asthma
"MAC lung disease"	mycobacterium avium complex lung disease, a chronic lung infection caused by a group of slow-growing environmental bacteria, primarily affecting immunocompromised populations such as those with HIV/AIDS
"MDI"	metered-dose inhaler, a handheld device that delivers a specific amount of medication to the lungs in the form of a short burst of aerosolized medicine. MDIs typically use a propellant to create the aerosol and require coordination between actuation and inhalation by the patient
"MIS"	minimally invasive surgery, a sub-segment of the generalized concept of minimally invasive operation, which is generally for the treatment purpose and performed through small incisions. MIS is widely used in surgical specialties of general surgery, OBGYN, urology, thoracic surgery and orthopedics, among others

"NDA"	new drug approval
"nebulizer"	a device that converts liquid medication into a fine mist, allowing for inhalation directly into the lungs. Nebulizers are often used for patients who have difficulty using inhalers or require higher doses of medication
"nose-to-brain pathway"	an innovative drug delivery method that facilitates the direct transport of medications from the nasal cavity to the brain, bypassing the blood-brain barrier. This pathway is particularly useful for treating CNS disorders, offering rapid onset of action and improved drug efficacy by targeting brain tissues directly
"PAH"	pulmonary arterial hypertension, a rare but serious condition characterized by high blood pressure in the arteries of the lungs, leading to strain on the heart
"particle size distribution"	the analysis of the range and proportion of particle sizes within an aerosol. For inhalation therapies, maintaining an optimal particle size distribution is essential for ensuring that the medication effectively reaches and deposits in the lower respiratory tract
"PD"	pharmacodynamics, the study of the biochemical and physiological effects of drugs on the body, including the mechanisms of drug action and the relationship between drug concentration and effect. PD helps in understanding the therapeutic and adverse effects of medications.
"PI(s)"	principal investigator(s), the lead researcher(s) responsible for the overall design, conduct, and management of a clinical trial or research study
"PK"	pharmacokinetics, the branch of pharmacology concerned with the movement of drugs within the body. It involves the study of drug absorption, distribution, metabolism, and excretion (ADME). Understanding PK is essential for determining appropriate dosing regimens and ensuring therapeutic efficacy and safety

"SABA"	short-acting beta agonists, a class of rapidly acting bronchodilators used for immediate relief of acute asthma attacks and shortness of breath. SABAs are typically used as rescue medications due to their quick onset of action
"SAMA"	short-acting muscarinic antagonists, a class of bronchodilators that block muscarinic receptors to provide quick relief of respiratory symptoms. Used as rescue medications, particularly in COPD, with a relatively rapid onset but short duration of action
"siRNA"	small interfering RNA, sometimes known as short interfering RNA or silencing RNA, a class of double stranded noncoding RNA molecules to inhibit gene expression
"SMI"	soft mist inhaler, an advanced inhalation device designed to deliver medication in a gentle, slow-moving mist form. Unlike traditional pressurized MDIs, SMIs do not use propellants
"VBP"	volume-based procurement, a set of drug procurement regulations implemented in China with the goal of promoting generic substitutes and lowering the price of medications that have outlived their exclusivity periods
"white space market"	a market where there is little to no competition or approved products, presenting opportunities for innovation and growth potential

FORWARD-LOOKING STATEMENTS

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

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

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers in the future;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- any changes in the laws, rules and regulations of the PRC government and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans and strategies;
- our ability to identify and satisfy user demands and preferences;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to maintain good relationships with business partners;
- our ability to retain senior management and key personnel;
- our business strategies and plans to achieve these strategies;

- our ability to control costs and expenses;
- our ability to defend our intellectual rights and protect confidentiality;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and markets in which we operate, particularly the VBP and the NRDL in China;
- capital market developments;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this document.

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

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

Prospective [**REDACTED**] *should consider carefully all of the information presented in this document and, in particular, should consider the following risks and special considerations in connection with* [**REDACTED**] *our Company before making any* [**REDACTED**] *in relation to the H Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial condition and future prospects of our Company. This document contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The* [**REDACTED**] *of the H Shares could decline due to any of these risks and you may lose all or part of your* [**REDACTED**].

You should carefully read and consider all of the information in this document including the risks and uncertainties described below before deciding to make any [**REDACTED**] *in our H Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties. The* [**REDACTED**] *of our H Shares could decline due to any of these risks and uncertainties. As a result, you may lose part or all of your* [**REDACTED**].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are largely dependent on sales of CF017. If we are unable to maintain the sales volume, pricing levels and profit margins for our marketed products, our profitability could be adversely affected.

During the Track Record Period, substantially all of our revenue were generated from sales of our CF017, which represented 96.2%, 98.4%, and 94.5% of our total revenue in 2022, 2023 and 2024. As such, our financial performance and results of operations during the Track Record Period largely reflects the sales performance of CF017.

Our revenue will continue to be primarily generated from the sale of our marketed products. We expect that sales of CF017 will continue to comprise a substantial portion of our total revenue in the near future. Many factors could adversely affect sales of CF017 and our other marketed products, including pricing pressure caused by healthcare policies, other unfavorable government policies, regulatory or enforcement changes, inclusion in or removal from the VBP and the NRDL, competition with competing products, disruptions or adverse changes in supply chains, manufacturing or distribution, increases in the cost of raw materials, adverse changes in our sales and distribution network, issues with respect to product quality or side effects and disputes over intellectual property. Many of these factors are outside of our control. If we are unable to maintain the sales volumes, pricing levels or profit margins for

these products, our profitability could be adversely affected. For details, see " — Risks Relating to Our Business and Industry — We face uncertainties arising from the VBP scheme in China, which could adversely affect our market share and profitability."

We face uncertainties arising from the VBP scheme in China, which could adversely affect our market share and profitability.

The PRC government is increasing its efforts to reduce overall healthcare costs by reforming the schemes of pricing control and statutory tender processes for pharmaceutical products or revising other policies affecting prices of pharmaceutical products over time. Each public medical institution has historically procured drugs through a provincial centralized drug purchase platform, and made substantially all of its purchases of pharmaceutical products through a centralized tender process. In November 2018, the national pilot program for VBP scheme with minimum procurement quantities was launched in 11 cities in China, which has been extended nationwide since 2019. The drug coverage of the VBP scheme is updated on an annual basis, taking into consideration factors including patient needs, disease prevalence, cost and budget, and the number of different suppliers of a same generic drug in the market. For details, see "Regulatory Overview — Other Laws and Regulations In Relation To Medical Industry — Volume-based Procurement Scheme and Bidding Process."

Our products may fail to be selected into the VBP scheme for various reasons, including decreased demand for the product, uncompetitive bidding prices, insufficient service quality to meet tender requirements, perceptions that our product is less clinically effective than competing products, or views that our services or other operational aspects are less competitive. Our CF017 was included in the VBP list for eight provinces in 2021. The VBP list has an effective period of three years. As of the Latest Practicable Date, we had completed the inclusion of the VBP status for CF017 in the Jiangsu Alliance under the 2025 VBP Scheme, which consists of 11 provinces. We are also preparing for the VBP inclusion and renewal bidding for other alliances and provinces. If our products, such as CF036, are not selected for the VBP scheme, or if we fail to renew the VBP status for CF017, in a particular region, we will be unable to sell those products to public hospitals and other public medical institutions in that region through the VBP scheme, which could negatively impact our market share, revenue, and profitability. For details, see "Regulatory Overview — Other Laws and Regulations In Relation To Medical Industry — Volume-based Procurement Scheme and Bidding Process."

We may from time to time continue to submit bids to supply our future commercialized products through the VBP scheme, and the selected products will be sold at the relevant bid prices. The implementation of the VBP scheme is subject to uncertainties in terms of the drug coverage, the specific implementation timeline in different regions, and the actual procurement volume, which may differ from the estimated volumes set out in the tender documents. As a result, it is uncertain whether and when our products will be included in the VBP list.

The VBP negotiation and bidding process can also create pricing pressure among competitor products or products that are perceived to be competitor products. During the negotiation of VBP inclusion and renewal, we take into various factors to manage the key risks, including our costs, competitive landscapes and target market conditions. In addition, we plan to increase our market penetration in non-VBP channels. For details, see "Business — Commercialization — Future Commercialization Strategy for CF017." Our sales volumes and profitability depend on our ability to successfully differentiate our products and price our bids in a manner that enables us to succeed in the VBP scheme without compromising our profitability. If we are unable to differentiate our products or are otherwise not successful in winning bids in the VBP negotiation at profitable levels, our market share, results of operations and profitability could be adversely affected.

We rely on our distribution network to sell and distribute our products, and if we fail to maintain, manage and expand our distribution network, our business could be adversely affected.

We rely on our distribution network to sell and distribute our products. Our distributors include importers and regional distributors. In 2022, 2023 and 2024, approximately 98.8%, 99.5% and 99.3% of our revenue from sale of products was generated from sales through distributors, who are our direct customers and are responsible for subsequently distributing our products to hospitals, other medical institutions and pharmacies. According to F&S, the adoption of a distribution model is in line with the industry norm in China. For details, see "Business — Commercialization — Sales Model."

Our ability to grow our business is significantly affected by our ability to maintain and manage a distribution network and to expand our distribution network effectively. The performance of our distributors and their ability to sell our commercialized products and pipeline products, once approved, to expand their businesses and their sales network, and to timely deliver our products may directly affect our sales volume and profitability. Any reduction, delay or cancelation of orders from our distributors and any return of shipments from our distributors (such as due to changes in governmental regulations, product recalls or adverse market conditions), or any material change to our distribution network, including change of our importers, may cause material fluctuations or declines in our revenue or the sustainability of our growth and may have an adverse effect on our business, financial condition and results of operations.

In addition, we may not be able to offer favorable arrangements to our distributors, and any deterioration in our distributors' performance may lead to a decline in the profitability and effectiveness of our distribution network and may have a negative impact on our results of operations. We sell our products to distributors at prices agreed between us and the distributors, subject to adjustments based on market conditions. During the course of our collaboration with distributors, we offer discounts of our products for distributors that meet their annual sales targets. We may also have disputes with distributors in the ordinary course of our business. All these factors can all have an adverse effect on our business, financial condition and results of operations.

We rely on our distribution agreements, policies, and measures to monitor and govern our relationships with distributors, including their compliance with applicable laws, regulations, and policies, as well as their implementation of anti-trust, anti-corruption, and anti-bribery measures. However, our ability to manage distributor activities is relatively limited, and any failure by our distributors to effectively distribute our products, breach agreements, fail to maintain requisite licenses, manage supply chains, or comply with applicable laws and regulations could materially and adversely affect our business, prospects, and reputation. Violations or alleged violations by our distributors could result in the erosion of our reputation, expose us to liabilities, disrupt our distribution network, or create an unfavorable public perception about the quality of our products, financial condition, results of operations, and prospects.

In accordance with the two-invoice system, we only have one-layer of regional distributors for our inhalation formulation products sold to hospitals and public medical institutions. For our inhalation formulations sold to pharmacies and private medical institutions, we allow our regional distributors to engage sub-distributors. We do not enter into distribution agreement with these sub-distributors. Rather, we primarily rely on our regional distributors to manage the performance of their sub-distributors. As a result, we have limited control over these sub-distributors. There is no assurance that the sub-distributors will comply with distribution requirements under our distribution agreements. Furthermore, there is no assurance that we will be able to identify or correct all the sub-distributors' practices that are detrimental to our business in a timely manner or at all. All these factors may adversely affect our results of operations and reputation, and as there is no contractual relationship between us and these sub-distributors, we have limited legal recourse against them if their activities harm our business or reputation.

Our business development, marketing and promotion activities may be costly and may not achieve our expected results.

Our business development and marketing activities require substantial investment to increase our market penetration, expand hospital coverage, and promote products. In 2022, 2023 and 2024, we incurred business development expenses of RMB95.8 million, RMB169.6 million and RMB185.7 million, respectively, primarily comprising service fees paid to our network of 14, 14 and 15 third-party promoters during these respective periods.

We are actively exploring opportunities to optimize our sales model to improve cost efficiency, considering China's evolving market and regulatory framework. As our distributors may undertake more sales activities going forward, we may be able to reduce our engagement of third-party promoters, potentially decreasing our sales and marketing expenses as a percentage of revenue. However, if our business development efforts and marketing activities fail to achieve expected results despite substantial costs, or if we fail to adapt our marketing approaches cost-effectively, our business, financial condition and results of operations could be adversely affected.

We depend substantially on the success of our products and product candidates. We may face challenges in clinical development, regulatory approval, or commercialization, including the inability to identify new product candidates or therapeutic opportunities, or failure to achieve and maintain market acceptance by key stakeholders in the medical community, which could materially and adversely affect, our business and prospects.

Our revenue and profitability are substantially dependent on our ability to complete the development of our products and product candidates, obtain requisite regulatory approvals and successfully commercialize them. We have invested a significant portion of our efforts and capital resources in the development of our existing products and product candidates, and we expect to incur substantial and increasing expenditures for the development and commercialization of our products and product candidates in the future.

The success of our products and product candidates will depend on a number of factors, including the following:

- favorable safety and efficacy data from our pre-clinical studies and clinical trials;
- sufficient resources to discover or acquire additional product candidates and successful identification of potential product candidates based on our research or business development methodology or search criteria and process;
- successful enrollment of patients in, and completion of, clinical trials;
- sufficient supplies of drug products that are either used in combination or in comparison with our product candidates;
- modifications to the protocols, which may delay the clinical program, regulatory approvals or commercialization, and require us to supplement, modify, or withdraw and refile our applications for regulatory approvals;
- the performance by CROs or other third parties we engage to conduct clinical trials and pre-clinical studies and their compliance with our protocols and applicable laws without damaging or compromising the integrity of the resulting data;
- receipt of regulatory approvals for planned clinical trials or drug registrations, manufacturing and commercialization;
- commercial manufacturing capabilities;
- successful launch of commercial sales of our product candidates, if and when approved;
- the obtaining and maintenance of favorable reimbursement from the government or third-party payers for our product candidates, if and when approved;

- competition with other products and product candidates;
- the obtaining, maintenance and enforcement of patents, trademarks, trade secrets and other intellectual property protections and regulatory exclusivity for our products and product candidates;
- successful defense against any claims brought by third parties that we have infringed, misappropriated or otherwise violated any intellectual property of any such third party; and
- the continued acceptable safety profile of our product candidates following regulatory approval.

As of the Latest Practicable Date, our portfolio includes six products approved by the NMPA or FDA, as well as over 20 product candidates in global development for major markets including China, U.S. and/or Europe, as well as emerging markets, such as Southeast Asia and South America. If we fail to achieve product development milestones as disclosed in this document, our business prospects could be adversely affected. Our costs will also increase if we experience delays in the development of product candidates or in obtaining regulatory approvals, which could result in us having to delay or suspend development until sufficient funding is procured, or we would have to abandon developing of the product candidate completely. Significant pre-clinical study or clinical trial delays also could allow our competitors to bring products to market before we do and impair our ability to successfully commercialize our product candidates.

In addition, our research and development efforts may fail to identify new product candidates or therapeutic areas for our existing candidates. Some candidates may prove technically challenging to develop and manufacture, show unmarketable side effects, or fail to receive regulatory approvals. These efforts may also require greater technical, human, and financial resources than we possess, leading to investments in candidates or indication expansions that ultimately prove unsuccessful.

The commercial success of our products also depends on their continued market acceptance among key stakeholders in the medical community. Factors influencing market acceptance include perceived advantages over competitors, availability of alternatives, safety and efficacy, pricing, effectiveness of sales and marketing efforts, publicity, responsiveness to changing needs, and inclusion in insurance or reimbursement schemes. Failure to achieve or maintain widespread market acceptance, or introduction of more cost-effective or favorably received products by competitors, may render our products obsolete, leading to declining demand and materially and adversely affecting our business and profitability.

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

Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. As we have limited financial and managerial resources, we focus our product pipeline on research programs and product candidates that we identify for selected indications. As a result, we may forgo or delay pursuit of opportunities with other product candidates or for other indications that may later prove to have greater commercial potential or a greater likelihood of success. Our spending on current and future research and development programs and product candidates for selected indications may not yield any commercially viable products. Furthermore, if we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through licensing, collaboration or royalty arrangements in cases where it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate, or we may allocate internal resources to a product candidate in a therapeutic area in which it would have been more advantageous to enter into a partnering arrangement. Any of the foregoing events may have a material adverse effect on our business, results of operations and prospects.

We face substantial competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours.

The inhalation formulation industry in which we operate is intensely competitive and subject to rapid and significant technological changes. We face potential competition from many others who are working to develop inhalation formulations or other therapies targeting the same indications. These include multinational biopharmaceutical companies, specialty pharmaceutical companies, biotechnology companies, academic institutions, government agencies and research institutions. For details, see "Industry Overview." Even if successfully developed and subsequently approved by the NMPA, the FDA, the EMA or other comparable regulatory authorities, our products may still face competition in various aspects, including safety and efficacy, the timing and scope of the regulatory approvals, the availability and cost of supply, sales and marketing capabilities, price and patent status.

Many of our competitors have substantially greater financial, technical and other resources, such as more advanced commercial infrastructure, more product candidates in late-stage clinical development, more seasoned research and development staff and well-established marketing and manufacturing teams than us. Collaborations, mergers and acquisitions in the biopharmaceutical industry may result in even more resources being concentrated in our competitors. As a result, our competitors may succeed in developing competing drugs and obtaining regulatory approvals before us or achieve better acceptance in the markets in which we operate or have established a competitive position.

Competition may further intensify as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in the industry. Our competitors may succeed in developing, acquiring, or licensing on an exclusive basis, products that are more effective or less costly than any product candidate that we may develop, or achieve earlier patent protection, regulatory approval, product commercialization, and market penetration than we do. To compete with an approved product, we must demonstrate compelling advantages in efficacy, safety or other aspects in order to overcome price competition and to be commercially successful. Furthermore, disruptive technologies and medical breakthroughs may further intensify the competition and render our product candidates uneconomical or obsolete, and we may not be successful in marketing our products and product candidates against competitors.

The regulatory approval processes of the NMPA, the FDA, the EMA and other comparable regulatory authorities are time-consuming, unpredictable and may evolve over time.

Generally, approval from the NMPA, the FDA, the EMA and other comparable regulatory authorities take many years to obtain, following the commencement of pre-clinical studies and clinical trials. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Additional time, effort and expense may be required to bring our product candidates, upon regulatory approval, to the markets in compliance with different regulatory processes.

Our product candidates could fail to receive regulatory approval in a timely manner for many reasons, including the following:

- disagreement with the design or implementation of our clinical trials;
- failure to commence or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a product candidate is safe and effective for its proposed indication;
- failure of our clinical trial results to meet the level of statistical significance required for approval;
- failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- disagreement with our interpretation of data from pre-clinical studies or clinical trials;

- insufficient data collected from the clinical trials of our product candidates to support the submission and filing of an NDA or other submissions or to obtain regulatory approval;

- failure of our product candidates to pass cGMP, inspections during the regulatory review process or across the drug production cycle;

- failure of our clinical sites to pass audits carried out by the NMPA, the FDA, the EMA or comparable regulatory authorities, resulting in a potential invalidation of our research data;

- findings by the NMPA, the FDA, the EMA or comparable regulatory authorities of deficiencies related to the manufacturing of our product candidates;

- changes in approval policies or regulations that render our pre-clinical and clinical data insufficient for approval; and

- failure of our clinical trial process to keep up with any scientific or technological advancements required by approval policies or regulations.

In addition, the NMPA, the FDA, the EMA or a comparable regulatory authority may require more information, including additional analyses, reports, data, non-clinical studies and clinical trials, or questions regarding interpretations of data and results, to support approval, which may prolong, delay or prevent approval and our commercialization plans, or we may decide to abandon the development programs. Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to competent regulatory authorities to reflect these changes. Resubmission may impact the costs, timing or successful completion of a clinical trial. The policies of the NMPA, the FDA, the EMA and other comparable regulatory authorities may also change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may not obtain the regulatory approvals or may lose the approvals that we may have obtained and we may not achieve or sustain profitability.

Approval policies, regulations or the type and amount of clinical data necessary to gain approval may vary among jurisdictions and can involve additional product testing and validation and additional administrative review periods. Clinical trials conducted in one country may not be accepted or recognized by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. We cannot assure you that we will be able to meet regulatory requirements of different jurisdictions or that our product candidates will be approved for sale in those

jurisdictions. Additional time, effort and expenses may be required to bring our product candidates, upon regulatory approval, to the international markets in compliance with different regulatory processes. Any of these occurrences may harm our business, financial condition and prospects significantly.

Government-sponsored or commercial insurance or reimbursement programs may be unavailable or limited for our product candidates, which could affect our business and prospects.

Insurance coverage is a critical factor in a patient's ability to afford treatments, and without it, the demand for our products could diminish significantly. If a pharmaceutical product is covered by medical insurance, whether provided by the government or a private entity, patients may be entitled to reimbursement for all or a portion of the cost. Consequently, the inclusion or exclusion of a pharmaceutical product in or from insurance program, as well as any limitations imposed on the coverage, will significantly affect patient demand. The inclusion of pharmaceutical products within the scope of insurance coverage may be outside of our control. Moreover, insurance providers may also, from time to time, review and revise, or change the scope of reimbursement for, the products that were previously covered. Moreover, the regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from country to country. We intend to seek approval to market our product candidates in China, the U.S., the European Union and in other jurisdictions. Our ability to commercialize any approved product candidates successfully will depend in part on the extent to which reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations, and may also be affected by existing and future healthcare reform measures.

In China, the Ministry of Human Resources and Social Security of China, together with other government authorities, reviews the inclusion or removal of drugs from the NRDL regularly, and the tier under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those drugs. For details, see "Regulatory Overview — Other Laws and Regulations In Relation To Medical Industry — Medical Insurance Catalog."

As of the Latest Practicable Date, our CF018 was included in the NRDL. There can be no assurance that any of our marketed products and future approved product candidates will be or continue to be included in the NRDL. If we were to successfully launch commercial sales of our products but fail in our efforts to have our products included in the NRDL, our revenue from the sales of approved products would be highly dependent on patient self-payment, which can make our products less competitive. Patients may choose other products with similar efficacy but lower price which have been included in the NRDL. Additionally, even if the Ministry of Human Resources and Social Security of China or any of its local counterparts were to accept our application for the inclusion of products in the NRDL, our potential revenue from the sales of these products could still decrease as a result of the significantly lowered prices we may be required to charge for our products to be included in the NRDL.

There can be no assurance that any of our products currently covered by such insurance schemes will maintain coverage in the future, or that changes in the scope of reimbursement will not negatively affect our product sales. If any of our products or their indications are removed from coverage, or if the scope of reimbursement is reduced, demand for our products may decrease and our operations, revenue and profitability could be adversely affected. There can also be no assurance as to the availability of reimbursement, or the level of reimbursement, for any future approved product candidates that we may commercialize. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any product candidates that we successfully develop.

There may also be significant delays in obtaining reimbursement for approved product candidates, and reimbursement coverage may be more limited than the approved indications of the product candidates by the NMPA, the FDA, the EMA or other comparable regulatory authorities. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Payment rates may vary according to the uses of the drugs and the clinical setting in which the drugs are used, may be based on payments allowed for lower cost drugs that are already reimbursed, and may be incorporated into existing payments for other services. Our inability to promptly obtain reimbursement coverage at intended payment rates for our product candidates and any new product candidates that we develop could have a material adverse effect on our business, results of operations, and overall financial conditions.

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

The success of our business depends in part upon our ability to identify, discover or develop additional product candidates to strengthen our product portfolio to cover a wider range of clinical areas. Our research and development efforts may fail to identify or discover new product candidates or new therapeutic areas and indications for our product candidates. Some product candidates may be technically challenging to develop and manufacture. Product candidates that we identify may later show side effects or other characteristics that make them unmarketable or unlikely to receive regulatory approvals. Our research and development efforts may also require greater technical, human and financial resources than those we possess. We may invest efforts and resources in potential product candidates or indication expansions that ultimately prove to be unsuccessful.

Our products and future approved products may fail to achieve or maintain the degree of market acceptance by physicians, medical institutions, pharmacies, patients, third-party payers and others in the medical community.

The commercial success of our products, including existing or future products, is highly dependent on their continued market acceptance among physicians, medical institutions, pharmacies, patients, third-party payers and others in the medical community. We believe that the market acceptance of our products and future approved product candidates depends on many factors, including: (i) the perceived advantages of our products over competing products;

(ii) the availability of competing products; (iii) the safety and efficacy of our products and the prevalence and severity of side effects, if any; (iv) the pricing and cost effectiveness of our products; (v) the effectiveness of our sales and marketing efforts; (vi) publicity concerning our products or competing products; (vii) our ability to respond to changes in needs and preferences of healthcare practitioners and patients; and (viii) the inclusion of our products in key insurance or reimbursement schemes. If our products fail to achieve or maintain widespread market acceptance, or if new products introduced by our competitors are more cost-effective or are received more favorably by physicians, medical institutions, pharmacies, patients, third-party payers and others in the medical community, our products may be rendered obsolete, and the demand for our products may decline and our business and profitability may be materially and adversely affected.

The size of the potential market for our products and product candidates is difficult to estimate and the actual markets for our current or future product candidates may not be as large as we anticipate.

Our projections of the number of patients who have the potential to benefit from treatment with our products and product candidates are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations, or market research and may prove to be incorrect. If any of our estimates are inaccurate, the number of patients may turn out to be fewer than expected. Further, new studies may change the estimated incidence or prevalence of these diseases. As a result, the potential addressable patient population and market size for our products and product candidates may not be as large as we anticipate, or new patient identification and access may become more challenging.

RISKS RELATING TO THE DEVELOPMENT OF OUR PRODUCT CANDIDATES

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

Clinical development is capital intensive and may take many years to complete, and its outcome is inherently uncertain. As of the Latest Practicable Date, we had over 20 product candidates in global development for major markets including China, U.S. and/or Europe, as well as emerging markets, such as Southeast Asia and South America, with several products under late-stage clinical trials or PK-BE trials, approaching registration and commercialization in the near future. For details of our pipeline and clinical development of our product candidates, see "Business — Other Product Pipeline." Our current and future product candidates are susceptible to the risks of failure inherent at any stage of drug development, including the occurrence of unexpected or unacceptable AEs or the failure to demonstrate efficacy in clinical trials.

We cannot guarantee that we will be able to realize such potential for any of our product candidates, especially because they are still in clinical or pre-clinical development. The drug development process may be interrupted, delayed or halted for a number of reasons, including the following:

- regulators, ethics committees, or other designated review bodies may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- we may have to suspend or terminate clinical trials of our product candidates for various reasons, including negative results or a finding that participants are being exposed to unacceptable health and safety risks;

- we may not be able to reach agreements on acceptable terms with prospective CROs and hospitals as trial centers, the terms of which can be subject to extensive negotiation;

- we may encounter various manufacturing issues, including problems with quality control, or ensuring sufficient quantities of our product candidates for use in a clinical trial;

- subject enrollment may be insufficient or slower than we anticipate, or subjects may drop out at a higher rate than we anticipate;

- our product candidates may not be accepted by regulators as bioequivalent to originator drugs; and

- our product candidates may cause AEs and undesirable side effects, among other unexpected characteristics, which could result in a suspension or termination of an ongoing trial.

The results of pre-clinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials, trials, and favorable initial or interim results of a clinical trial do not necessarily indicate the success of final results. Product candidates during later stages of clinical trials may fail to show the desired results in safety and efficacy despite having progressed through pre-clinical studies and initial clinical trials, and despite the level of scientific rigor in the design of such studies and trials and the adequacy of their execution. In some instances, there can be significant variability in safety and/or efficacy results among different trials of the same product candidate due to numerous factors, including differences in individual patient demographics, conditions, and other compounding factors, such as other medications or pre-existing medical conditions. We cannot guarantee that the results from our future research and development efforts will be favorable based on currently available clinical and pre-clinical data, which could result in delays in the completion of clinical trials, regulatory approvals and commencement of commercialization of our product

candidates. See also "— Risks Relating to our Business and Industry — The regulatory approval processes of the NMPA, the FDA, the EMA and other comparable regulatory authorities are time-consuming, unpredictable and may evolve over time."

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

We may not be able to initiate or continue clinical trials or may experience delays in the development progress for our product candidates if we are unable to locate and enroll a sufficient number of eligible subjects to participate in these trials as required by the NMPA, the FDA, the EMA or other comparable regulatory authorities. Subject enrollment for our clinical trials may also be affected by other factors, including the following:

- total size and nature of the relevant patient population;
- design and eligibility criteria for the clinical trial in question;
- perceived risks and benefits of the product candidate under study;
- our resources to facilitate timely subject enrollment in clinical trials;
- patient referral practices of physicians;
- availability of competing therapies undergoing clinical trials;
- our investigators' or clinical trial sites' efforts to screen and recruit eligible patients;
- proximity and availability of clinical trial sites for prospective patients; and
- occurrence of natural disasters, health epidemics, acts of war or other public events.

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

Our product candidates may cause AEs or have other properties that could delay or prevent their regulatory approval, and limit the commercial profile of an approved label, thus diminishing the commercial viability of our product candidates.

Our product candidates may cause AEs, or we or others may observe undesirable side effects caused by our product candidates after they receive regulatory approval, any of which may cause significant negative consequences, including the following:

- we or regulatory authorities could interrupt, delay or halt ongoing clinical trials;

- regulatory authorities may order us to cease further development of, or delay or even deny approval of, our product candidates for any or all targeted indications if results of our trials reveal a high and unacceptable severity or prevalence of certain AEs;

- the subject enrollment may be insufficient or slower than we anticipate, or subjects may drop out or fail to return for post-treatment follow-up at a higher rate than we anticipate;

- regulatory authorities may withdraw approvals or revoke licenses of an approved product candidate;

- regulatory authorities may require additional warnings on the label of an approved drug, issue safety alerts or other communications containing warnings or other safety information of such approved drug, or impose other limitations on such approved drug;

- we may be required to develop a risk evaluation mitigation strategy ("**REMS**"), for the product candidate, or, if one is already in place, to incorporate additional requirements under the REMS, or to develop a similar strategy as required by the NMPA, the FDA, the EMA or a comparable regulatory authority;

- we may be required to change the way an approved drug or product candidate is administered or conduct post-market studies;

- the costs of clinical trials of our product candidates may be substantially higher than we anticipate;

- we or our business partners, including our CROs, may suspend, delay or alter the development of our product candidates or the marketing of our approved drugs;

- we may be required to recall our approved products or product candidates, or we may determine to do so even if not required;

- we may be subject to litigation proceedings and regulatory investigations and be held liable for harm caused to subjects exposed to or taking our products or product candidates; and

- our reputation may suffer.

Further, combination therapy using our product candidates together with third-party agents may involve unique AEs that could be exacerbated compared with AEs from monotherapies. Any of these events could prevent us or our collaborating partners, as applicable, from achieving or maintaining market acceptance of any particular product candidate that is approved and could significantly harm our business, financial condition, results of operations and prospects.

Interim, top-line and preliminary data from our clinical trials that we announce or publish from time to time are subject to change.

From time to time, we may publicly disclose top-line or preliminary data from our pre-clinical studies and clinical trials, which is based on a preliminary analysis of then available data, whose results, related findings and conclusions are subject to changes following a more comprehensive review of such data. We also make assumptions, estimations, calculations and conclusions as our analyses progress, for which we may not necessarily receive or have had the opportunity to fully and carefully evaluate all data. As a result, the top-line or preliminary results reported by us may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Top-line data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, top-line data should be viewed with caution until the final data are available.

We may also disclose interim data from our pre-clinical studies and clinical trials. Interim data from clinical trials that we may complete are subject to the risks that one or more of the clinical outcomes may materially change along with participant enrolment where more participant data become available. Adverse differences between preliminary or interim data and final data could significantly harm our business prospects. Further, disclosure of interim data by us or our competitors could result in volatile prices of our Shares after the [**REDACTED**].

Others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses, or may interpret or weigh the importance of data differently, which could impact the value of our particular program, the approvability or commercialization of our particular product candidate or product and us in general.

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

We collect, aggregate, process, and analyze data and information from pre-clinical studies, clinical trials and other research and development programs. We also engage in substantial information gathering following the identification of a promising product candidate. Because data in the healthcare industry is fragmented in origin, inconsistent in format, and often incomplete, the overall quality of data collected or accessed is often subject to challenge, the degree or amount of data which is knowingly or unknowingly absent or omitted can be material, and data issues and errors are frequently discovered. If mistakes are made 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. We also engage in the procurement of regulatory approvals necessary for the development and commercialization of our products under development, for which we manage and submit data to governmental entities. These processes and submissions are governed by

complex data processing and validation policies and regulations. We may be exposed to liability to a customer, court or governmental authority that concludes that our storage, handling, submission, delivery, or display of health information or other data is wrongful or erroneous.

We rely on certain third parties to collect, monitor and manage data for some of the ongoing pre-clinical and clinical programs for our product candidates and have limited control over their activities. If there are any inaccuracies, mistakes or incompleteness in the pre-clinical and clinical data of any of our CROs or other third parties, our clinical development activities may be negatively impacted as a result. For details, see "— Risks Relating to Dependence on Third Parties — We rely on third parties to support and conduct certain aspects of our business, and the inability of any of these parties to reliably carry out their contractual duties or meet expected timelines could adversely affect our business and prospects."

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

The global inhalation formulation market is constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position. For example, we have made significant efforts to develop our products and product candidates, as well as our technology platform and manufacturing techniques, which allow us to continuously develop and manufacture a broad pipeline of product candidates. In 2022, 2023 and 2024, our research and development expenses amounted to RMB107.2 million, RMB132.8 million and RMB121.8 million, respectively. In these same periods, we also recognized capitalized R&D costs as additional deferred development costs of RMB16.1 million, RMB26.7 million and RMB38.7 million, respectively. We intend to continue to strengthen our technical capabilities in the development and manufacture of our product candidates, which requires substantial capital and time. We cannot assure you that we will be able to develop, improve or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, or obtain sufficient or any patent or other intellectual property protection for such new or enhanced products in a timely and cost-effective manner. Any failure to do so may render our previous efforts obsolete, which could significantly reduce the competitiveness of our technology platforms and product candidates, and harm our business and prospects.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We incurred net losses in 2022 and may incur net losses in the future.

Investment in the development of inhalation formulation pharmaceutical products is highly uncertain as it entails substantial upfront expenditures and significant risks that a product candidate may fail to demonstrate efficacy and safety to gain regulatory or marketing

approvals or become commercially viable. We recorded net losses of RMB49.4 million in 2022, primarily because we only commenced large-scale commercialization of our first inhalation formulation product, CF017, in September 2021 and this product remained in ramp-up stage. In 2023 and 2024, we recorded net profits of RMB31.7 million and RMB21.1 million, respectively. Going forward, our ability to achieve profitability depends significantly on our success in advancing product candidates into later stages of clinical development, and obtaining regulatory approvals for each product candidate, which we may not be able to do in a timely manner or at all.

We may incur net losses in the future and that these net losses may increase as we carry out certain activities, including the following:

- continue to advance the clinical trials and pre-clinical studies for our product pipeline;
- seek to discover and develop additional product candidates and further expand our product pipeline;
- seek regulatory approvals for our product candidates that successfully complete clinical trials;
- manufacture our product candidates for clinical trials and for commercial sale;
- commercialize product candidates in our pipeline for which we may obtain regulatory approval;
- develop, maintain, expand and protect our intellectual property portfolio;
- attract and retain skilled personnel; and
- incur additional legal, accounting, investor relations, insurance and other expenses associated with operating as a public company following the completion of this [**REDACTED**].

Our net losses have had, and will continue to have, an adverse effect on our working capital and shareholders' equity. Our failure to become and remain profitable may affect investors' perception of the potential value of our Company and could impair our ability to raise additional capital, expand our business or continue our operations. Failure to become and remain profitable may also adversely affect the [**REDACTED**] of our H Shares. A decline in the [**REDACTED**] of our H Shares could cause potential [**REDACTED**] to lose all or part of their [**REDACTED**] in our business.

We may need to obtain substantial additional financing to fund our operations and expansion, and if we fail to do so, we may be unable to complete the development and commercialization of our product candidates.

During the Track Record Period, we financed our operations and other capital requirements primarily through cash generated from our operations, bank borrowings and pre-[**REDACTED**] investments. We expect our expenses to increase in connection with our ongoing development activities, particularly as we advance the clinical development of our clinical-stage product candidates, continue the research and development of our pre-clinical stage product candidates and initiate additional clinical trials of, and seek regulatory approval for, these and other future product candidates. In addition, as we have started to commercialize our approved products and may obtain regulatory approvals for our product candidates in the future, we expect to incur significant commercialization expenses relating to product manufacturing, marketing, sales and distribution and post-approval commitments to continue monitoring the efficacy and safety data of our future products on the market. We may also incur expenses as we create additional infrastructure to support our operations as a public company. Accordingly, we may need to secure substantial additional funding in connection with our continuing operations through public or private equity offerings, debt financing, collaborations or licensing arrangements or other sources.

We expect to fund our future working capital and other cash requirements with cash generated from our operations, the [**REDACTED**] from [**REDACTED**] and, when necessary, bank and other borrowings. Changes in our ability to fund our operations may affect our cash flow and results of operations. If we are unable to raise capital when needed or on acceptable terms, we could be forced to delay, limit, reduce or terminate our research and development programs or any future commercialization efforts.

Fair value changes and credit risk associated with our financial assets measured at FVTPL could adversely affect our results of operations and financial condition.

As of December 31, 2022, 2023 and 2024, we recorded financial assets at FVTPL of RMB236.4 million, RMB330.8 million and RMB266.1 million, respectively. Our financial assets at FVTPL during the Track Record Period represented structured deposits issued by reputable commercial banks in the PRC.

We cannot assure you that we will not continue to recognize fair value losses, which would affect our result of operations for future periods. In addition, the valuation of financial assets at FVTPL is subject to uncertainties due to the use of unobservable inputs. Such estimated fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the valuation of financial assets at FVTPL has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in fluctuations in profit or loss from year to year.

We face uncertainty regarding the recoverability of our deferred tax assets, which may impact our future financial position.

As at December 31, 2022, 2023 and 2024, we recorded deferred tax assets of RMB83.7 million, RMB93.0 million and RMB94.9 million, respectively. These deferred tax assets arose from temporary differences between the carrying amounts of assets and liabilities in our financial statements and their respective tax bases, which include provisions and accruals, government grants, lease liabilities, and losses available for offsetting against future taxable profits. For details, please see note 27 to the Accountant's Report set out in Appendix I to this document. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial positions in the future.

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

We operate share award schemes where our employees (including Directors) receive remuneration in the form of share-based payments whereby rendering services in exchange for equity instruments. We recorded equity-settled share-based payment expenses of RMB16.2 million, RMB17.0 million and RMB8.5 million in 2022, 2023 and 2024, respectively. The cost of equity-settled transactions with employees is measured by reference to the fair values at the dates at which they are granted. The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled.

We believe the granting of share-based payments is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based payments to employees in the future. As a result, our equity-settled share-based payment expenses may increase, which may have an adverse effect on our results of operations and financial conditions. Our granting of share-based payments could also cause shareholding dilution to our Shareholders.

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

Valuations of our selected property interest as of April 30, 2025 prepared by Cushman & Wakefield Limited, an independent property valuer, are set forth in the valuation report set out as Appendix III to this document. The valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. In addition, unforeseeable changes in general and local economic conditions or other factors beyond our

control may affect the value of our properties. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or an estimation of their realizable value.

If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

During the Track Record Period, our other intangible assets primarily consist of software, patents and licenses and deferred development costs. We had other intangible assets of RMB75.5 million, RMB94.9 million and RMB122.0 million as of December 31, 2022, 2023 and 2024, respectively. The value of other intangible assets is based on a number of assumptions made by the management. For a detailed discussion on intangible assets, see note 16 to the Accountants' Report in Appendix I to this document. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our intangible assets and record a significant impairment loss. Furthermore, our determination on whether intangible assets are impaired requires an estimation of the carrying amount and recoverable amount of an intangible asset. If the carrying amount exceeds its recoverable amount, our intangible assets may be impaired. The impairment of intangible assets could have an adverse effect on our business, financial condition and results of operations.

We benefit from certain government grants and preferential tax treatments, the discontinuation of or changes to which could adversely affect our financial condition and profitability.

We recorded government grants of RMB3.0 million, RMB10.8 million and RMB10.4 million in 2022, 2023 and 2024, respectively. These government grants primarily represent subsidies received from the local governments for expenses arising from research and development activities, rewards for financial contribution and capital expenditure incurred on certain projects, some of which are one-off in nature and some are recurring over a period of time with no unfulfilled conditions. These government grants are provided to us at the discretion of the relevant government authorities, who could determine at any time to eliminate or reduce these financial incentives, and may therefore vary from period to period going forward. For more details, see "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income/(Loss) Items — Other Income and Gains."

Since our receipt of the government grants and eligibility for the preferential income tax treatment are subject to the government's discretion and approval process, our net income in a particular period may be higher or lower relative to other periods partly due to the potential changes in the government grants we actually receive or preferential income tax treatment we enjoy, in addition to any business or operational factors that we may otherwise experience. There is no assurance that we will continue to receive such government grants at a similar level or at all, or be eligible to enjoy the preferential income tax treatment in the future. The

discontinuation of preferential tax treatments, government grants and other financial incentives currently available to us could have an adverse effect on our financial condition, results of operations, cash flows and prospects.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The Renminbi has fluctuated against the Hong Kong dollar and U.S. dollar, at times significantly and unpredictably. In 2022, we recorded net foreign exchange gains of RMB2.5 million. In 2023 and 2024, we recorded net foreign exchange losses of RMB0.2 million and RMB0.1 million, respectively. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in political and economic conditions and by foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or U.S. dollar in the future. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar, the U.S. dollar or any other foreign currencies may result in the decrease in the value of our [**REDACTED**] 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. We are also required to complete filings with and obtain approvals from the SAFE before converting significant amounts of foreign currencies into Renminbi. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

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

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

RISKS RELATING TO THE MANUFACTURING OF OUR PRODUCTS AND PRODUCT CANDIDATES

The manufacturing of inhalation formulations is a complex process. If we suffer disruption to any of our manufacturing facilities, or encounter problems in manufacturing our products and product candidates, our business and results of operations could be adversely affected.

The continued operation of our production facilities and our production safety may be substantially interrupted and materially and adversely due to a number of factors, many of which are outside our control, including fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars or other natural disasters, as well as expiry of land use rights, loss of licenses, certifications and permits, changes in governmental planning for the land underlying these facilities or their vicinity and regulatory changes. If the operation of any of our production facilities is substantially disrupted, we may not be able to replace the equipment or inventories at such facility or secure a replacement facility or a third-party contractor to continue our production in a legal, timely and cost-effective manner or at all.

Manufacturing of inhalation formulations is a complex process. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, delays related to the construction of new facilities or the expansion of our existing production facilities, including changes in production facilities and limits to production capacity due to regulatory requirements, changes in the types of products produced, physical limitations that could inhibit continuous supply, man-made or natural disasters and environmental factors. If problems arise during the production process of certain products or product candidates, a batch or several related batches of such product or product candidate may have to be discarded and cause production delays, cost increases, lost revenue and damage to customer relationships and our reputation. If problems are not discovered before the relevant products are released to the market, we may incur additional costs in connection with product recalls and product liability. As a result, disruption to any of our production facilities or any problems in the manufacturing our products may prevent us from fulfilling our contract obligations or meeting market demand for our products, and adversely affect our business, revenue and profitability.

We may not be able to maintain effective quality control over our inhalation formulation products.

The quality of our products, including product candidates used for research and development purposes, will depend 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 activities, the quality and reliability of equipment used and our ability to ensure that they adhere to our quality control and quality assurance protocol. We have implemented a quality control system that includes regular testing and inspection of our products during the manufacturing process. For details, see "Business — Quality Control." However, 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 protocol or standard operating procedures could render our products unsuitable for use, which could harm our market reputation and relationship with business partners. Any such developments may have a material and adverse effect on our business, financial condition and results of operations.

If we are unable to increase our production capacity to meet the increasing demand for our products and future approved products, our business and prospects could be adversely affected.

We plan to expand our existing manufacturing facilities and production lines to meet the increasing demand for our products and prepare for the expected commercialization of our product candidates. The completion of such expansion of the manufacturing facilities and production lines involves regulatory approvals and reviews by various authorities, including urban planning, construction and environmental protection authorities. We cannot assure you that we will be able to obtain all of the required approvals, permits and licenses required for the execution of our expansion plans. Expansion of the manufacturing facilities also may not be completed within the anticipated timetable or budget. We may also be unable to fully utilize the production capacity after the expansion of our manufacturing facilities. Any of the foregoing factors could materially and adversely affect our results of operations and prospects and result in loss of business opportunities.

Failure to manage our inventory effectively could materially and adversely affect our results of operations and financial condition.

Our inventories primarily consist of raw materials, work-in-progress and finished goods. We regularly monitor our inventory to ensure timely supply and reduce the risk of overstocking. We maintain our inventory levels based on our internal forecasts which are inherently uncertain due to changing clinical demands, uncertainty of product development and launch as well as the volatile economic environment. There can be no assurance that we can accurately predict these trends and events and avoid over-stocking or under-stocking our products. Further, demand for products could change significantly between the time when the products are ordered and the time they are ready for delivery. As a result, we may be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials, some of which are subject to expiration. During the Track Record Period, we recorded impairment losses for inventories and experienced inventory obsolescence. We may continue to record such impairment losses in the future if excess inventory levels persist, increasing our inventory holding costs and obsolescence risks. On the other hand, if our forecasted demand is lower than the actual level, we may not be able to maintain an adequate inventory level of our products or manufacture our products in a timely manner, and may lose sales and market share to our competitors.

As of December 31, 2022, 2023 and 2024, we had inventories of RMB28.3 million, RMB36.1 million and RMB47.2 million, respectively. In 2022, 2023 and 2024, our inventory turnover days were 108 days, 119 days and 131 days, respectively. For more details, see

"Financial Information — Description of Certain Consolidated Statements of Financial Position Items — Inventories." If our inventory level and inventory turnover days increase substantially in the future, our financial condition and cash flows could be materially and adversely affected.

RISKS RELATING TO DEPENDENCE ON THIRD PARTIES

We rely on third parties to support and conduct certain aspects of our business, and the inability of any of these parties to reliably carry out their contractual duties or meet expected timelines could adversely affect our business and prospects.

We rely on third parties, such as CROs, collaboration partners, medical institutions, clinical investigators, and contract laboratories, in the development and conduct of clinical trials for our product candidates. We are responsible for ensuring that each of our studies is conducted, and all of our products and product candidates are manufactured, in compliance with applicable regulatory and scientific standards and protocols, and our reliance on the CROs does not relieve us of our regulatory responsibilities. If any of these parties, whom we do not control, do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, or if our collaboration partners do not have the ability or the resources to successfully complete their objectives, or choose not to continue their relationship with us, our development efforts could be delayed, suspended or terminated, or our commercialization efforts may be delayed, impaired or terminated.

In addition, the use of third-party service providers requires us to disclose our proprietary information or confidential information concerning the subjects enrolled in our clinical trials to these third parties, which could increase the risk that such information will be misappropriated. There can be no assurance that we will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition, results of operations and prospects.

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

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

Any disruption in production or the inability of our suppliers to provide adequate quantities to meet our needs could impair our operations and hinder the research and development of our product candidates. Moreover, we expect our demand for such raw materials and products to increase as we expand our business scale and commercialize our product candidates, but there is no assurance that current suppliers have the capacity to meet

our demand. We are also exposed to the possibility of increased costs, which we may not be able to pass on to customers and as a result, lower our profitability. In addition, we cannot assure you that we will be able to identify and rectify all quality issues.

We cannot assure you that these third-party suppliers will be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruption in their business operations, which in turn may result in shortage of the raw materials and products supplied to us, and cause delays in clinical trials and regulatory filings or even recall of our products. The non-compliance of these third parties may also subject us to potential product liability claims, result in our failure to comply with the continuing regulatory requirements, and cause us to incur significant costs, which may have a material and adverse effect on our business, financial condition and results of operations.

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

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

These industry participants may leave their roles, change their business or practice focus, choose to no longer cooperate with us or cooperate with our competitors instead. In addition, their market insights and perceptions, which we take into account in our research and development process, may be inaccurate and lead us to develop products that do not have significant market potential. Even if their insights and perceptions are correct, we may fail to develop commercially viable products. If we are unable to develop and maintain our relationships with industry participants as we anticipate, our business, financial condition and results of operations may be materially and adversely affected.

If our business partners fail to maintain the necessary permits, licenses and certificates for the development, production, promotion, sales and distribution of our products and product candidates, our business, financial condition and results of operations could be adversely affected.

Our CROs, suppliers, and other business partners on whom we may rely on to develop, manufacture, market, sell and distribute our products and product candidates, may be subject to requirement of obtaining and maintaining necessary permits, licenses and certificates in their

operations. Our business partners may also be subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licenses and certificates. If our business partners fail to maintain or renew material permits, licenses and certificates, our ability to conduct our business could be materially impaired. Any changes in the standards used by governmental authorities in considering whether to renew or reassess our business partners' licenses, permits and certifications, as well as enactment of any new regulations that may restrict the operation of our business partners' operations, may also decrease our revenue and increase our costs, which in turn could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO INTELLECTUAL PROPERTY RIGHTS

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

Our commercial success depends, to a certain extent, on our ability to protect our proprietary technology, products and product candidates from competition by obtaining, maintaining, defending and enforcing our intellectual property rights, including patent rights. We seek to protect the technology, products and product candidates that we consider commercially important primarily by filing patent applications in China, the U.S. and other countries or regions, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. As of the Latest Practicable Date, we owned (i) 56 issued patents, including 45 in mainland China, three in Hong Kong, one in the United States and seven in other jurisdictions, and (ii) 57 patent applications, including 25 in China, five in the United States, nine under the Patent Cooperation Treaty (PCT) and 18 in other jurisdictions. See "Business — Intellectual Property" for details. This process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications and secure other intellectual property protection in all jurisdictions in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, we may fail to timely identify third-party infringement of our intellectual property rights and take necessary actions to defend and enforce our rights, or at all.

The patent position of biopharmaceutical companies generally involves complex legal and factual questions, and can be frequently litigated. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Our current and future patent applications may not be granted with approvals that effectively prevent third parties from commercializing competitive technologies and product candidates. The patent examination process may require us to narrow the scope of our current and future patent applications, which may then limit the scope of patent protection that could be obtained. There

can be no assurance that all of the potentially relevant prior art relating to our patents and patent applications has been found. If such prior art exists, it can invalidate a patent or prevent a patent application from being issued as a patent. Moreover, if there are material defects in the form or preparation of our patents or patent applications, such patents or applications may be invalid and unenforceable.

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

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and patent applications are due to be paid to the China National Intellectual Property Administration ("**CNIPA**"), the United States Patent and Trademark Office ("**USPTO**") and other applicable patent authorities over the lifetime of a patent. The CNIPA, the USPTO and other applicable patent authorities require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. While an inadvertent failure to make payment of such fees or to comply with such provisions can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which such non-compliance will result in the abandonment or lapse of the patent or patent application, and the partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include the failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents within prescribed time limits. If we fail to maintain the patents and patent applications covering our product candidates or if we otherwise allow our patents or patent applications to be abandoned or lapse, our competitors might be able to enter the market, which would hurt our competitive position and could impair our ability to successfully commercialize our product candidates in any indication for which they are approved.

If our patent terms expire before or soon after our product candidates are approved, or if competitors successfully challenge our patents, our business may be materially harmed.

Patents have a limited duration. Depending on the jurisdiction, various extensions may be available, but the life of a patent, and the protection it affords, is limited. For example, the expiration of a patent is generally 20 years from the date of application for inventions in China and generally 20 years from the earliest date of filing of the first non-provisional patent application to which the patent claims priority in the U.S. Even if patents covering our product candidates, their manufacture, or use are obtained, once the patent life has expired, we may be susceptible to competition from other medications, including biosimilar drugs.

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

There can be no assurance that the applicable authorities, including the FDA and the USPTO in the U.S., and comparable regulatory authorities in other countries, will agree with our assessment of whether such extensions are available, and such authorities may refuse to grant extensions to our patents, or may grant more limited extensions than we request. For example, depending upon the timing, duration and specifics of any FDA marketing approval of any product candidates we may develop, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Action of 1984, or Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent extension term of up to five years as compensation for the patent term lost during the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended, and only those claims covering the approved drug, a method for using it, or a method for manufacturing it, may be extended. Similarly, the amendment to the PRC Patent Law which was promulgated in October 2020 introduces patent extensions to patents of new drugs that launched in the PRC, which may enable the patent owner to submit applications for a patent term extension of up to a maximum of five years, and after the new drug is approved for marketing, the total effective term of the patent shall not exceed 14 years. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements.

Moreover, the length of the extension could be shorter than we request. If we are unable to obtain patent term extension or the term of any such extension is shorter than we request, the period during which we can enforce our patent rights for that product will be shortened and our competitors may obtain approval to market competing products sooner than we expect. Also, the scope of our right to exclude during any patent term extension period may be limited or may not cover a competitor's product or product use. As a result, our revenue from applicable product candidates, if approved, could be reduced.

Manufacturers of generic or biosimilar drugs may challenge the scope, validity, or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on the sales of that product. 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. On the other hand, if we launch our product candidates prior to the expiration of patents for any competing products, we may face potential claims for patent infringement.

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

We own a number of trademarks in China and other jurisdictions. Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks, and may not be registered in all the necessary or desirable jurisdictions and categories in which we intend to sell our future products or provide our future services. Our trademarks may not be approved by one or more governmental trademark offices or may not be approved for use on our products or services by regulatory authorities, such as the FDA. We may not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names, which we need for name recognition by potential partners or customers in our markets of interest. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected. In the future, we may license our trademarks and trade names to third parties, such as business partners and collaborators. A breach of these agreements or misuse of our trademarks and tradenames by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names.

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

In addition to our issued patents and pending patent applications, we rely on trade secret and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our product candidates. As we collaborate with third parties for the development, manufacture or commercialization of our current or any future product candidates, we must, at times, share trade secrets with them. We may also conduct joint research and development programs that may require us to share trade secrets under the terms of our research and development partnerships or similar agreements. Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them or that our trade secrets will be misappropriated or disclosed. We seek to protect this trade secret and confidential information, in part, by entering into non-disclosure, confidentiality and similar agreements with parties that have access to them, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. Any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain

adequate remedies for such breaches. Moreover, we cannot guarantee that we have entered into such agreements with each party that may have or has had access to our trade secrets or proprietary technology and processes. In addition, these agreements typically restrict the ability of our employees, third-party contractors and consultants to publish data potentially relating to our trade secrets.

Our competitors may discover our trade secrets, either through breach of our agreements with third parties, independent development or publication of information by any third-party collaborators. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor's discovery of our trade secrets or other unauthorized use or disclosure could have an adverse effect on our business and results of operations. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. Furthermore, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the U.S.. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the U.S. and abroad. If we are unable to prevent unauthorized material disclosure of our intellectual property to third parties, or misappropriation of our intellectual property by third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, financial condition, and results of operations. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

Furthermore, many of our employees, consultants, and advisors, including our senior management, were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Some of these employees, consultants, and advisors, including members of our senior management, executed proprietary rights, nondisclosure and non-competition agreements in connection with such previous employment. We may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's former employer. We are not aware of any threatened or pending claims related to these matters or concerning the agreements with our senior management, but cannot assure you that such claims will not arise in the future.

Litigation may be necessary to defend against these claims. 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, be a distraction to our management and scientific personnel and have a material adverse effect on our business, financial condition, results of operations and prospects.

Intellectual property and other laws and regulations are subject to change, which could diminish the value of our intellectual property and impair the intellectual property protection of our products and product candidates.

Obtaining and enforcing patents in the biopharmaceutical industry involve a high degree of technological and legal complexity. Therefore, obtaining and enforcing biopharmaceutical patents is costly, time consuming and inherently uncertain. Changes in either the patent laws or in the interpretations of patent laws in China, the U.S. and other countries may diminish the value of our intellectual property and may increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. We cannot predict the breadth of claims that may be allowed or enforced in our future patents or in third-party patents. In addition, there are periodic proposals for changes to the patent laws in China, the U.S. and other countries that, if adopted, could impact our ability to enforce our proprietary rights.

In China, intellectual property laws are constantly evolving, with efforts being made to improve intellectual property protection in the PRC. For example, on October 17, 2020, the SCNPC promulgated the Amendment to the PRC Patent Law effective from June 1, 2021, which provides that, among others, the patentee of an invention patent relating to the new drug that has been granted the marketing authorization in the PRC is entitled to request the patent administration department under the State Council to grant a patent term extension of up to five years, in order to compensate the time required for the regulatory evaluation and approval for the commercialization of such a new drug; provided that, the total valid patent term after the new drug is approved for the market shall not exceed 14 years. As a result, the terms of our PRC patents may be eligible for extension and allow us to extend patent protection of our products, and the terms of the patents owned by third parties may also be extended, which may in turn affect our ability to commercialize our products candidates, if and when approved. The length of any such patent term extension is uncertain. If we are required to delay commercialization for an extended period of time, technological advances may develop and new competitor products may be launched, which may render our product non-competitive. We also cannot guarantee that other changes to PRC intellectual property laws would not have a negative impact on our intellectual property protection.

Evolving judicial interpretation of patent law could also adversely affect our business. The U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit have issued numerous precedential opinions in recent years narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on future actions by the U.S. Congress, the U.S. federal courts, the USPTO or similar authorities in other jurisdictions, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce or defend patents that we have licensed or that we might own or license in the future.

Similarly, changes in patent law and regulations in other countries or jurisdictions or changes in the governmental bodies that enforce them or changes in how the relevant governmental authority enforces patent laws or regulations may weaken our ability to obtain new patents or to enforce our current and future owned and licensed patents.

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

We cannot guarantee that our products and product candidates, or the sale or use of our future products do not and will not in the future infringe, misappropriate or otherwise violate third-party patents or other intellectual property rights. There may be third-party issued patents with claims related to our products and product candidates. 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, or with respect to the use or manufacture of the compounds we have developed or are developing. Litigation relating to patents and other intellectual property rights in the biopharmaceutical and pharmaceutical industries is common, including patent infringement lawsuits. The various markets in which we plan to operate are subject to frequent and extensive litigation regarding patents and other intellectual property rights. Some claimants may have substantially greater resources than we have and may be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. Third parties might resort to litigation against us or other parties we have agreed to indemnify, which litigation could be based on either existing intellectual property or intellectual property that arises in the future.

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 products and product candidates. Publication of discoveries in the scientific or patent literature often lags behind actual discoveries. Therefore, we cannot be certain that we were the first to invent, or the first to file patent applications on, our products and product candidates or for their uses, or that our products and product candidates will not infringe patents that are currently issued or that are issued in the future. In the event that a third party has also filed a patent application covering one of our products and product candidates or a similar invention, our patent application may be regarded as a competing application and may not be approved in the end. Additionally, pending patent applications that have been published can, subject to certain limitations, be later amended in a manner that could cover our products or their use.

If a third party were to assert claims of patent infringement against us, a court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, and the holders of any such patents may be able to block our ability to commercialize the applicable product unless we obtained a license under the applicable patents, or until such patents expire or are finally determined to be invalid or unenforceable. Similarly, if any third-party patents were held by a court of competent jurisdiction to cover aspects of our compositions, formulations, or methods of treatment, prevention, or use, the holders of any such patents may be able to block our ability to develop and commercialize the applicable

product unless we obtained a license or until such patent expires or is finally determined to be invalid or unenforceable. In addition, defending such claims would cause us to incur substantial expenses and could cause us to pay substantial damages, if we are found to be infringing a third party's patent rights. These damages potentially include increased damages and attorneys' fees if we are found to have infringed such rights willfully. In order to avoid or settle potential claims with respect to any patent or other intellectual property rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both, which could be substantial. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a product candidate, or be forced, by court order or otherwise, to modify or cease some or all aspects of our business operations, if, as a result of actual or threatened patent or other intellectual property claims, we are unable to enter into licenses on acceptable terms. Further, we could be found liable for significant monetary damages as a result of claims of intellectual property infringement.

Furthermore, despite measures we take to obtain and maintain patent and other intellectual property rights with respect to our products and product candidates, our intellectual property rights could be challenged or invalidated. For example, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. On the other hand, competitors or other third parties may infringe or misappropriate our patents and other intellectual property rights. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming. In any infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question.

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

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

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

Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantages.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business nor permit us to maintain our competitive advantage. The following examples are illustrative:

- others may be able to make product candidates that are the same as or similar to our product candidates but that are not covered by the claims of the patents that we own;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- third parties might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets; and
- we may not develop additional technologies that are patentable.

RISKS RELATING TO GOVERNMENT REGULATIONS

All material aspects of the research, development, manufacturing and commercialization of biopharmaceutical products are heavily regulated.

As a company with a global vision, we are executing an international expansion strategy to bolster our global influence and broaden our footprint. These jurisdictions strictly regulate the biopharmaceutical industry, and in doing so they employ a broad range of strategies, including regulation of product development and approval, manufacturing, and marketing, sales and distribution of products. Differences in these regulatory regimes lead to an increased and costly regulatory compliance burden.

The process of obtaining regulatory approvals and compliance with appropriate laws, regulations and guidance requires the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process and approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include refusal to approve pending applications,

withdrawal of an approval, license revocation; clinical hold, voluntary or mandatory product recalls, product seizures; total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution and disgorgement, or other civil or criminal penalties. Failure to comply with these laws, regulations and guidance could have a material adverse effect on our business and prospects.

In many countries or regions where a drug is intended to be ultimately sold, including China, the U.S. and the European Union, the relevant government agencies and industry regulatory bodies impose high standards on the efficacy of such drug, as well as strict rules, regulations and industry standards on how we develop such drug. For example, we may need to obtain clearance from the NMPA, the FDA, the EMA or other regulatory authorities as part of an IND application to seek authorization to begin clinical trials, and file an NDA, ANDA, or other similar applications to seek marketing approval. Any failure to comply with existing laws, regulations and industry standards could result in fines or other punitive actions against us, the termination of ongoing research and the disqualification of data for submission to regulatory authorities, or a ban on the future sales of our drugs, each of which could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. In addition, any action against us for violation of the relevant laws, regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business, and adversely affect our reputation and financial condition.

Our products and future approved products will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses.

For our approved and future approved products, the manufacturing processes, labeling, packaging, distribution, adverse effect reporting, storage, advertising, promotion and record-keeping for the drug have been and will continue to be subject to extensive and ongoing regulatory requirements on pharmacovigilance. These requirements include submissions of safety and other post-marketing information and reports, registration, random quality control testing, adherence to any CMC, variations, continued compliance with current cGMPs, and GCPs and potential post-approval studies for the purposes of license renewal.

Regulatory approvals that we receive for our product candidates may also be subject to limitations on the approved indicated uses for which the drug may be marketed or to other conditions of approval, including requirements for potentially costly post-marketing studies, such as studies for the surveillance and monitoring of the safety and efficacy of the drug.

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

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

Moreover, regulations or policies may change or additional government regulations may be finalized that could prevent, limit or delay regulatory approval of our product candidates.

Any government investigation of alleged violations of law could require us to expend significant time and resources and could generate negative publicity. If we are not able to maintain regulatory compliance, we may lose the regulatory approvals that we have already obtained and may not achieve or sustain profitability, which in turn could significantly harm our business, financial condition and pipeline of biopharmaceutical products.

Any failure to maintain governmental licenses or permits could jeopardize our business and reputation.

We are required to obtain and maintain certain licenses and permits for conducting our business. If any regulatory authorities consider that we were operating without the requisite approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. As of the Latest Practicable Date, we had obtained all the material licenses, approvals and permits from, and completed necessary registrations with the relevant government authorities that are material for our current business operations in the PRC pursuant to the relevant laws and regulations or the requirements of the competent authority. However, these regulations constantly evolve, and the criteria used in reviewing applications for, or renewals of licensing and certification in the medicine industry may change and be more restrictive, and the regulatory regime over the medicine industry, or any particular aspect thereof, may change from time to time or tighten or become more restrictive. Any enhanced regulatory requirements related to our business may make us bear higher compliance costs and we may face more severe administrative penalties for failure of compliance. Any of the foregoing actions may have a material adverse effect on our business and results of operations.

If any of our business partners fail to comply with environmental, health and safety laws and regulations, we could be subject to fines or penalties and other negative consequences that could have a material and adverse effect on the success of our business.

Certain third parties we work with, such as our CROs and other business partners, are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the treatment and discharge of pollutants into the environment and the use of toxic and hazardous chemicals in the process of our business operations. We generally contract with third parties for the disposal of these materials and wastes and we cannot guarantee our contractors could continuously maintain their qualifications with regard to such disposal. We cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of research, testing, development and manufacturing of biopharmaceutical products. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could materially and adversely our business. Other adverse effects could result from such liability, including reputational damage. We may also be forced to close or suspend operations at certain of our affected facilities temporarily, or permanently. As a result, any accidental contamination, biological or chemical hazards or personal injury could have a material and adverse impact on our business, financial condition, results of operations and prospects.

Furthermore, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

The application of anti-kickback, false claims laws, doctor payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations could 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 obtain regulatory approval. The application of various PRC fraud and abuse laws, including the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), PRC Criminal Law (《中華人民共和國刑法》) may impact, among others, our proposed sales, marketing and education programs for our products and product candidates. Law enforcement authorities are increasingly focusing on enforcing these laws. 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.

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

We are subject to various regulatory requirements relating to cybersecurity and data privacy, including the Data Security Law of the PRC (《中華人民共和國數據安全法》), the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), and the privacy, data protection and cybersecurity requirements in the industry-specific laws and regulations relating to pharmaceutical research, development and sale. Failure to comply with any of these laws and regulation could result in enforcement action against us, including fines, claims for damages by customers and other affected individuals, and damage to our reputation, any of which could have a material adverse effect on our business, financial condition, and results of operations.

The personal information we collect might be sensitive. Our security policies and measures to protect personal information might not satisfy the all the requirements in every respect under these laws and regulations. Data leakage and abuse and other misconduct related to data and personal information protection might not be completely avoided, due to hacking activities, human error, employee misconduct or negligence or system breakdown, among other reasons. We also cooperate with CROs and other business partners, any leakage or abuse of personal information by our third-party partners may be perceived by the individuals as a result of our failure. Any failure or perceived failure by us to prevent information security breaches or to comply with data/privacy policies or data/privacy-related legal obligations, or any compromise of information security that results in the unauthorized release or transfer of personal information or other data, could cause our customers to lose trust in us and could expose us to legal claims.

As of the Latest Practicable Date, we had not been notified of being classified as a critical information infrastructure operator ("**CIIO**"), we had not received any inquiry, notice, warning from any PRC government authorities, and have not been subject to any investigation, sanctions or penalties made by any PRC government authorities regarding national security risks caused by our business operations or the [**REDACTED**]. In addition, CCRC confirmed to us during a telephonic consultation in October 2024 that the term of "listing abroad (國外上市)" under the Cybersecurity Review Measures does not apply to listing in Hong Kong, and thus we are not required to proactively submit an application for cybersecurity review for our [**REDACTED**] in Hong Kong.

In addition, regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. We may also be subject to additional or new laws and regulations regarding the protection of personal information and privacy related matters in connection with our methods for data collection, analysis, storage and use. If we are unable to comply with the applicable laws and regulations or effectively address data privacy and protection concerns, such actual or alleged failure could damage our reputation, discourage customers from purchasing our products and subject us to significant legal liabilities.

Changes in political and economic policies, regulatory regime for the healthcare industry, as well as the interpretation and enforcement of laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

A substantial portion of our operations are based in the PRC, our business, financial condition, results of operations and prospects may be affected by economic, political, social and legal developments in China. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources; however, we cannot guarantee the extent to which our business operations will be able to benefit from such measures, if at all. In addition, laws, rules and regulations may also be amended from time to time, and the application, interpretation and enforcement of such evolving laws, rules and regulations may affect our business operations. Any of the foregoing may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Specifically, our growth depends heavily on the continued development of China's pharmaceutical industry, especially ongoing healthcare reforms. For example, the nationwide promotion of the Sanming Healthcare Reform model, which emphasizes volume-based procurement, stricter price controls, and enhanced medical insurance payment mechanisms, could materially affect our product pricing, profit margins, and market access strategies. Government policies may continue to shift based on changing national priorities, political climate, and healthcare industry developments. Future reforms may limit our service offerings and revenue sources, increase operational costs, restrict expansion opportunities, or intensify competition. These changes could disproportionately affect us compared to our competitors, potentially impacting our business, financial condition, results of operations, and prospects. For details on healthcare regulatory measures in China, see "Regulatory Overview — Regulatory Framework of the Pharmaceutical Industry."

We are subject to filing and other requirements from the CSRC or other PRC government authorities in connection with any future capital raising activities.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Administrative Measures**") and relevant supporting guidelines, which came into effect on March 31, 2023. The Trial Administrative Measures have comprehensively improved and reformed the existing regulatory regime for overseas offering

and listing of PRC domestic companies' securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any such domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Trial Administrative Measures.

We are subject to filing requirements for any of our [**REDACTED**] after the [**REDACTED**]. We cannot assure you that we will be able to get clearance of our filing procedures under the Trial Administrative Measures on a timely basis, or at all. Any failure on our part to fully comply with such regulatory requirements may significantly limit or completely hinder our ability to [**REDACTED**] our securities to [**REDACTED**], cause significant disruption to our business operations, and severely damage our reputation, which could affect our financial condition and results of operations and cause our securities to decline in value or become worthless.

RISKS RELATING TO OUR OPERATIONS

Our future success depends in part on our ability to attract, retain and motivate senior management, qualified medical professionals and scientific employees.

We are highly dependent on the expertise of the members of our research and development team, as well as the principal members of our management. We have entered into employment agreements with our executive officers, but each of them may terminate their employment with us at any time with prior written notice.

Recruiting, retaining and motivating qualified management, scientific, clinical and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Further, replacing executive officers and key employees 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 drugs. 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 biopharmaceutical companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions.

We may encounter difficulties in managing our growth and expanding our operations successfully.

Our future financial performance and our ability to commercialize our product candidates will depend, in part, on our ability to effectively manage our growth. Our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to implement our long-term development strategies. For details, see "Business — Our Strategies." Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and

executing on our growth strategies will require, among other things, our ability to continue to identify and develop promising product candidates in the highly competitive biopharmaceutical market, effective coordination and integration of new facilities and new teams that we may develop, successful hiring and training of personnel, as well as effective and efficient financial and management control and quality control.

All of these endeavors will require substantial management attention and efforts and significant additional expenditures. If we fail to expand at our expected pace, we may face capacity constraints in the future which may adversely affect our business and financial condition. We cannot assure you that we will be able to execute our business strategies and manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business, financial condition, results of operations, and prospects.

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

To enhance our growth, we may acquire businesses, products, technologies or know-how or enter into strategic partnerships that we believe would benefit us in terms of product development, technology advancement or distribution network. Any potential acquisition or strategic partnership may entail numerous risks, including the following:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent liabilities;
- the issuance of our equity securities resulting in dilution to our Shareholders;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel, or failure to otherwise achieve intended synergies in the combined operations;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the counterparty, including the prospects of that party and its existing products or product candidates;

- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs; and

- changes in accounting principles relating to recognition and measurement of our investments that may have a significant impact on our financial results.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Moreover, we may not be able to locate suitable acquisition opportunities and this inability could impair our ability to grow or obtain access to technology or products that may be important to the development of our business.

We may be involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business.

From time to time, we may be involved in inspections, claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, product liability, privacy protection, environmental and safety matters, breach of contract, employment or labor disputes and intellectual property rights. For example, as of the Latest Practicable Date, we were under labor mediation proceeding with a former employee with respect to her departure from us and we cannot predict the outcome of such proceedings at this stage. Any inspections, claims, disputes or legal proceedings initiated by us or brought against us, our management or directors, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, inspections, claims, disputes or legal proceedings against us, our management or directors may be due to actions taken by our counterparties, such as our suppliers, CROs and other service providers. Even if we are able to seek indemnity from them, they may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

Our reputation is important to our success. Negative publicity with respect to us, management, employees, business partners, affiliates, or our industry, may materially and adversely affect our reputation, business and prospects.

We believe that market awareness and recognition of our brand image, and the maintenance of a positive brand image, is crucial to the success of our business. However, our reputation is vulnerable to potential threats that can be difficult or impossible to control, and costly or impossible to remediate. While we will continue to promote our brands to remain competitive, we may not be successful in doing so. In addition, we may engage various third parties to expand our business network and increase market access for our drugs, which can make it increasingly difficult to effectively manage our brand reputation, as we have relatively limited control over these third parties.

Any regulatory inquiries or investigations or other actions against our management, any perceived unethical, fraudulent, or inappropriate business conduct by us or perceived wrongdoing by any key member of our management team or other employees, our business partners or our affiliates, could harm our reputation and materially and adversely affect our business. Regardless of the merits or final outcome of such regulatory inquiries, investigations or actions, our reputation may be substantially damaged, which may impede our ability to attract and retain talent and business partners and grow our business.

We may be exposed to the risks of conducting business globally.

Overseas markets are an important component of our growth strategy. We plan to explore market opportunities overseas, where we believe there is substantial demand for our product candidates, and we intend to identify and collaborate with reputable local partners that have proven track record to maximize the global value of our product candidates. For more details, see "Business — Our Strategies — Pursue our global strategy." However, such activities may subject us to additional risks that may materially adversely affect our ability to attain or sustain profitable operations, including the following:

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

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

Increased labor costs could slow our growth and adversely affect our operations and profitability.

Our operations depend in part on the skills and know-how of our employees. In recent years, the average labor cost in the biopharmaceutical market, particularly for highly skilled and experienced personnel, has been steadily increasing as the competition for qualified employees has become more intense. We cannot assure you that there will be no further increase in labor cost, which may adversely affect our business and financial condition. In addition, share options and other share-based incentives granted under our existing or future share award schemes could adversely affect our costs and our results of operations. See also "— Risks Relating to Our Financial Position and Need for Additional Capital — Share-based payments may impact our financial performance and cause shareholding dilution to our existing Shareholders."

Changes in international trade policies and political tensions may adversely impact our business and results of operations.

We are susceptible to constantly changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions. Tensions and political concerns between China and other countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects. China's political relationships with foreign countries and regions may affect the prospects of our relationship with third parties, such as business partners, suppliers and future customers. There can be no assurance that our existing or potential service providers or collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may cause a decline in the demand for our future products and adversely affect our business, financial condition, results of operations, cash flows and prospects. Rising trade and political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between China and other countries and regions, which would have an adverse effect on global economic conditions, the stability of global financial markets, and international trade policies.

Any rising trade and political tensions or unfavorable government policies on international trade, such as capital controls or tariffs, may affect the competitive position of our drug products, the hiring of scientists and other research and development personnel, and import or export of raw materials in relation to drug development, or prevent us from selling our drug products in certain countries. In particular, if any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, such changes could have an adverse effect on our business, financial condition and results of operations. In addition, our results of operations could be adversely affected if any such tensions or unfavorable government trade policies harm the Chinese economy or the global economy in general.

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

Natural disasters, health epidemics, acts of war or 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 threatened by natural disasters, such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika, and COVID-19. Additionally, we face risks from factors beyond our control, such as 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.

The occurrence of a disaster or a prolonged outbreak of an epidemic illness, including the COVID-19 pandemic, or other adverse public health developments in which we operate our business could materially disrupt our business and operations. These uncertain and unpredictable factors include, but are not limited to, adverse effects on the economy, potential delays of our ongoing and future clinical trials, and disruptions to the operations of our CROs and other business partners.

Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of the foregoing events and other events 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 condition and results of operations.

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

We maintain insurance policies that we consider to be in line with market practice and adequate for our business to safeguard against risks and unexpected events in China. Our insurance coverage comprises personnel-related policies such as pension, medical, work-related injury, maternity, and unemployment insurance. Our insurance coverage may prove to be inadequate or be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations.

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

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

Our information technology systems, or those used by our partners or other contractors or consultants, may fail or suffer security breaches.

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

Our risk management and internal control systems may not be thorough or effective in all respects.

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. For details, see "Business — Risk Management and Internal Control." However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective.

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

Our leased properties may be subject to non-compliances or challenges that could potentially affect our future use of them.

As of the Latest Practicable Date, we leased 8 properties with an aggregate GFA of 7,553.6 sq.m., and three of our lease agreements between us and third parties had not been registered with the relevant local authorities. See "Business — Properties — Leased Properties." Pursuant to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As of the Latest Practicable Date, we were not 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 local authorities to fulfill the registration requirements, which may increase our costs in the future. Any dispute or claim in relation to these properties, including the lessors' alleged unauthorized lease of these properties, could force us to relocate these properties. If any of our leases is terminated or becomes unenforceable as a result of challenges from third parties, we would need to seek alternative properties and incur relocation costs. Any relocation could lead to disruptions to our operations and adversely affect our business, financial conditions and results of operations.

As our leases expire, we may face difficulties renewing them, either on commercially acceptable terms or at all. Our inability to enter into new leases or renew existing leases on terms acceptable to us could materially and adversely affect our business, financial condition and results of operations.

If we fail to make full contribution to the social insurance fund and housing provident fund contributions, we may be subject to late fees, fines or other administrative penalties.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. Any failure to make timely and adequate social welfare contribution for its employees may trigger an order of correction from competent authority requiring the employer to make up the full amount of such overdue social welfare contribution within a specified period of time, and the competent authority may further impose fines or penalties.

As the PRC labor laws and regulations are still evolving, we cannot guarantee you that our employment practices and policies will at all times be deemed to be in full compliance with such laws and regulations. For example, during the Track Record Period, we have engaged certain third parties to make contributions to the social insurance fund and housing provident fund and we have not received any complaints or notices from our employees regarding such practice. As advised by our PRC Legal Advisors, the likelihood that we would be subject to material administrative penalties by the relevant government authorities with respect to the engagement of third parties to make contributions to the social insurance fund and housing provident fund is remote. If we are deemed to have violated the relevant labor laws and regulations, we could be subject to related penalties, fines or legal fees, and our business, financial condition and results of operations could be materially and adversely affected.

You may experience difficulties in effecting service of process upon or enforcing foreign judgments against us or our Directors or officers.

Substantially all of our assets are situated in the PRC and most of our directors and officers reside in the PRC. Therefore, there remains the possibility that it may be difficult to effect service of process outside the PRC upon most of our directors and officers, including with respect to matters arising under applicable securities laws. The PRC does not have treaties with the U.S. and certain other countries providing for the reciprocal recognition and enforcement of civil case judgments of courts. Consequently, you may experience difficulties in enforcing against us or our directors or officers in the PRC any judgments obtained from courts outside of the PRC.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial

case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. On January 18, 2019, the Supreme People's Court and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), which has come into effect on January 29, 2024 and superseded the Arrangement, or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the mainland. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. After the New Arrangement became effective, a judgment rendered by a Hong Kong court can generally be recognized and enforced in the PRC even if the parties in the dispute did not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforced in the PRC, as whether a specific judgment will be recognized and enforced is still subject to a case-by-case examination by the relevant court in accordance with the New Arrangement.

We are a PRC tax resident, and we are subject to PRC tax on our global income, and the dividends payable to [REDACTED] and gains on the [REDACTED] of our H Shares by our [REDACTED] are subject to PRC tax.

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of up to 25% on our global income. 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%. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to applicable regulations, PRC companies issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC 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. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

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**] and payments through [**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, payment of any such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

The PRC tax authorities may interpret and apply relevant tax laws, including those concerning individual income tax or EIT Law on gains from H Share dispositions, in ways that could affect the holders of our H Shares. If any such tax is collected, the value of our H Shares may be materially and adversely affected.

RISKS RELATING TO THE [REDACTED]

No [REDACTED] currently exists for our H Shares. An active [REDACTED] for our H Shares may not develop and the [REDACTED] and [REDACTED] of our H Shares maybe volatile.

No [**REDACTED**] 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 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 [**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 not decline following the [**REDACTED**].

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

of our product candidates, the results of our applications for approval of our product candidates, regulatory developments and healthcare policies directly affecting us, the commercialization results of our approved drugs, fluctuations in our cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel or actions taken by competitors, among others. Moreover, shares of other biopharmaceutical companies [**REDACTED**] on the Stock Exchange have experienced [**REDACTED**] in the past, and it is possible that our H Shares may be subject to changes in [**REDACTED**] not directly related to our performance.

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

Our Single Largest Group of Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately after completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised and based on the [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range, our Single Largest Group of Shareholders will hold (including direct and indirect shareholdings) approximately [**REDACTED**]% of the issued share capital in our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their H Shares as part of a sale of our Company and might reduce the [**REDACTED**] of our H Shares. These events may occur even if they are opposed by other Shareholders. In addition, the interests of our Single Largest Group of Shareholders may differ from the interests of other Shareholders. We cannot assure you that our Single Largest Group of Shareholders will not exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of other Shareholders.

Future [REDACTED] or perceived [REDACTED] or [REDACTED] of significant amounts of our H Shares in the [REDACTED] following the [REDACTED] could materially and adversely affect the [REDACTED] of our H Shares.

Prior to the [**REDACTED**], there has not been a [**REDACTED**] for our H Shares. Future sales or perceived sales of significant amounts of our H Shares or conversion of the Unlisted Shares, if any, by specific Shareholders subject to certain regulatory requirements, after the [**REDACTED**] could result in a significant decrease in the prevailing [**REDACTED**] of our H Shares. Nevertheless, after these restrictions lapse or if they are waived, future [**REDACTED**] of significant amounts of our H Shares in the [**REDACTED**] or the perception that these [**REDACTED**], or [**REDACTED**] of existing [**REDACTED**] Shares, if any, may occur could significantly decrease the prevailing [**REDACTED**] of our H Shares and our ability to raise equity capital in the future.

You will experience immediate and substantial dilution as a result of the [REDACTED] and may experience further dilution if we [REDACTED] additional Shares or 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, [**REDACTED**] of the H Shares in the [**REDACTED**] will experience an immediate dilution. In order to expand our business, we may consider [**REDACTED**] and [**REDACTED**] additional Shares in the future. [**REDACTED**] of the H Shares may experience dilution if we [**REDACTED**] additional Shares in the future at a [**REDACTED**] which is lower than the net tangible asset value per Share at that time. Furthermore, we may [**REDACTED**] Shares through the employee incentive platforms, which would further dilute Shareholders' interests in our Company.

There can be no assurance whether and when we will pay dividends in the future, and payment of dividends is subject to applicable PRC laws.

No dividend has 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 financial condition, results of operations, 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 and requires approval at our Shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

The industry facts, statistics and forecasts in this document that were obtained from various government publications and the industry report have not been independently verified.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the healthcare market. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. The information and statistics from such sources have not been independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], and [**REDACTED**], any of our or their respective directors, officers or representatives or any other party, other than Frost & Sullivan, involved in the [**REDACTED**] and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate. You should therefore not place undue reliance on such information.

In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this document, there has been press and media coverage regarding us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

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

MANAGEMENT PRESENCE IN HONG KONG

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

Since all our business operations are not principally located, managed or conducted in Hong Kong, and our Directors consider that the relocation of our executive Directors to Hong Kong or the appointment of additional executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Company and therefore would not be in the best interests of our Company and our Shareholders as a whole, our Company does not, and, for the foreseeable future, will not, have two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

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

(i) **Authorized Representatives**: both of our Company's authorized representatives, Dr. LIANG, an executive Director, and Ms. CHU Cheuk Ting, a joint company secretary of our Company, will act as our Company's principal channels of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone, facsimile and/or email.

Each of the authorized representatives of our Company has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

(ii) **Directors**: each Director has provided their mobile phone number, office phone number, fax number (if any) and e-mail address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, they will provide the phone number of the place of their accommodation to the authorized representatives.

Each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;

(iii) **Compliance Advisor**: we have appointed Soochow Securities International Capital Limited as our Compliance Advisor, in compliance with Rule 3A.19 of the Listing Rules, who will, among other things and in addition to the authorized representatives and our Directors, also act as an additional channel of communication with the Stock Exchange from the [**REDACTED**] to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately following the [**REDACTED**]. Pursuant to the Note of Rule 3A.23, the Compliance Advisor will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that our authorized representatives, Directors and other officers will promptly provide such information and assistance as the Compliance Advisor may need or may reasonably require in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors, and other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between the Stock Exchange and us.

Any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and/or our Compliance Advisor; and

(iv) **Legal advisors**: we will also retain legal advisors to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the [**REDACTED**].

JOINT COMPANY SECRETARIES

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

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

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

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

(i) length of employment with the issuer and other issuers and the roles they played;

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

(iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than 15 hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Pursuant to paragraph 13 of Chapter 3.10 of the Listing Guide, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

(i) whether the issuer has principal business activities primarily outside Hong Kong;

(ii) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under paragraph 11 of Chapter 3.10 of the Listing Guide) nor Relevant Experience (as defined under paragraph 11 of Chapter 3.10 of the Listing Guide) as a company secretary; and

(iii) why the directors consider the individual to be suitable to act as the issuer's company secretary.

Further, pursuant to paragraph 13 of Chapter 3.10 of the Listing Guide, such waiver, if granted, will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

(i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and

(ii) the waiver will be revoked if there are material breaches of the Listing Rules by the issuer.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulation in Hong Kong, they also need to have experience relevant to our Company's operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who is familiar with our Company's business and affairs as company secretary.

We have appointed Ms. ZHU Yuyu and Ms. CHU Cheuk Ting as our joint company secretaries. Since Ms. ZHU Yuyu does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. To support Ms. ZHU Yuyu, we have appointed Ms. CHU Cheuk Ting, an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom, who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, as a joint company secretary to provide assistance, for a three-year period from the [**REDACTED**] so as to enable Ms. ZHU Yuyu to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. CHU Cheuk Ting as our joint company secretary. Pursuant to the Chapter 3.10 of the Listing Guide, such waiver has been granted on the conditions that:

(i) Ms. CHU Cheuk Ting is appointed as a joint company secretary to assist Ms. ZHU Yuyu in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules;

(ii) our Company will further ensure that Ms. ZHU Yuyu has access to the relevant training and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of an issuer [**REDACTED**] on the Stock Exchange. Our Hong Kong legal advisors have provided training to Ms. ZHU Yuyu on the principal requirements of the Listing Rules and the Hong Kong laws and regulations applicable to our Company after the [**REDACTED**]. In addition, Ms. ZHU Yuyu will endeavor to familiarize herself with the Listing Rules, including any updates thereto, during the three-year period from the [**REDACTED**];

(iii) Ms. ZHU Yuyu has confirmed that she will attend no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relations as well as the functions and duties of a company secretary of a Hong Kong [**REDACTED**] during each financial year as required under Rule 3.29 of the Listing Rules;

(iv) before the expiry of Ms. ZHU Yuyu's initial term of appointment as the company secretary of our Company, our Company will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules; and

(v) this waiver will be revoked immediately if and when Ms. CHU Cheuk Ting ceases to provide such assistance during the three-year period, and we undertake to re-apply to the Stock Exchange for a waiver in the event that Ms. CHU Cheuk Ting ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary of our Company. In addition, this waiver is subject to revocation in the event of any material breaches of the Listing Rules by our Company.

Prior to the end of the three-year period, we will demonstrate and seek the confirmation from the Stock Exchange that Ms. ZHU Yuyu, having had the benefit of Ms. CHU Cheuk Ting during the three years, has attained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of our company secretary so that a further waiver would not be necessary.

For biographical information of Ms. ZHU Yuyu and Ms. CHU Cheuk Ting, see "Directors, Supervisors and Senior Management."

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. LIANG Bill Wenqing (梁文青)	Room 808, No. 39 Jiayuanli Yongsheng New City, Jiayuan Road Huli District Xiamen Fujian PRC	American
Dr. LI LI BOVET (李勵)	510 Meadowmont Village Cir Suite 204 Chapel Hill North Carolina 27517-7584 United States	American
Dr. LI Qi (李旗)	Room 1002, No. 7 Block 4, Vanke City Garden Wuxi Jiangsu PRC	American
Ms. ZHU Yuyu (朱玉玉)	Room 107, Building 7 No. 480, Xiyuan Road Jinchang District Suzhou Jiangsu PRC	Chinese
Non-executive Directors		
Mr. CHEN Penghui (陳鹏輝)	Room 2001, No. 6 Lane 758, Beijing West Road Jing'an District Shanghai PRC	American

Name	Address	Nationality
Mr. CAI Lei (蔡磊) (former name: CAI Jiange (蔡劍閣))	Room 2602, No. 1 Lane 18, Kaibin Road Xuhui District Shanghai PRC	Chinese
Dr. YI Hua (易華)	Room 201, No. 2 Lane 830, Huamu Road Pudong New Area Shanghai PRC	Chinese
Independent Non-executive Directors		
Dr. JIN Jian (金堅)	Room 3001, No. 68-6 East Taihu Avenue Nanchang District Wuxi Jiangsu PRC	Chinese
Ms. WANG Lijuan (王麗娟)	Room 204, No. 83 Jiangning Dormitory Binhu District Wuxi Jiangsu PRC	Chinese
Mr. WEI Shirong (魏士榮)	Room 401, Unit 1, Building 1 No. 523-27 Fourth Huanghe Road Bincheng District Binzhou Shandong PRC	Chinese
Mr. IP Wang Hoi (葉耘開)	Flat 1, 3/F, Block B Imperial Court 62G Conduit Road Mid-Levels Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Ms. ZHANG Jingjing (張晶晶)	No. 1202, Unit 2, Building 16, Jiangwan Garden No. 20, North Jiefang Road Liangxi District Wuxi Jiangsu PRC	Chinese
Ms. CHENG Xiangfeng (程祥鳳)	Room 501, No. 10 Block 1, Taihu International No 22, Wanshun Street Binhu District Wuxi Jiangsu PRC	Chinese
Ms. KUAI Jingjing (蒯靜靜)	No. 57, Dongfeng Road Xiangshui Town Xiangshui County Jiangsu PRC	Chinese

For further details regarding our Directors and Supervisors, please see "Directors, Supervisors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

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

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road, Central
Hong Kong

[**REDACTED**]

Legal Advisors to our Company

as to Hong Kong and U.S. laws:

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:

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 Joint Sponsors	*as to Hong Kong and U.S. laws:* **Jia Yuan Law Office** Suites 3202-03, 35/F One Exchange Square 8 Connaught Place Central Hong Kong *as to Hong Kong and U.S. laws:* **Allen Overy Shearman Sterling** 9th Floor, Three Exchange Square Central Hong Kong *as to PRC law:* **Global Law Office** 27/F Tower B China Resources Land Building No. 9668 Shennan Avenue Nanshan District Shenzhen PRC
Reporting Accountants and Auditor	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504, Wheelock Square 1717 Nanjing West Road Jing'an District Shanghai PRC

Compliance Advisor	**Soochow Securities International Capital Limited** Level 17, Three Pacific Place 1 Queen's Road East Hong Kong
Property Valuer	**Cushman & Wakefield Limited** 27/F One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Head Office, Registered Office and Principal Place of Business in the PRC	No. 16, Hucundang Road Xiangcheng Economic Development District Suzhou Jiangsu PRC
Principal Place of Business in Hong Kong	31/F., Tower Two Times Square, 1 Matheson Street Causeway Bay Hong Kong
Company's Website	**www.cfpharmtech.com** *(Information contained in this website does not form part of this document)*
Joint Company Secretaries	**Ms. ZHU Yuyu (朱玉玉)** No. 16, Hucundang Road Xiangcheng Economic Development District Suzhou Jiangsu PRC **Ms. CHU Cheuk Ting (朱卓婷)** *(Associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	**Dr. LIANG Bill Wenqing (梁文青)** No. 16, Hucundang Road Xiangcheng Economic Development District Suzhou Jiangsu PRC

	Ms. CHU Cheuk Ting (朱卓婷) *(Associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Audit Committee	Ms. WANG Lijuan (王麗娟) *(Chairperson)* Dr. JIN Jian (金堅) Mr. IP Wang Hoi (葉耘開)
Remuneration and Appraisal Committee	Mr. IP Wang Hoi (葉耘開) *(Chairperson)* Dr. LIANG Bill Wenqing (梁文青) Mr. WEI Shirong (魏士榮)
Nomination Committee	Mr. WEI Shirong (魏士榮) *(Chairperson)* Ms. ZHU Yuyu (朱玉玉) Dr. JIN Jian (金堅)

[**REDACTED**]

Principal Banks

China Merchant Bank Co., Ltd.,
Suzhou Xiangcheng Branch
First Building F, East Furniture Avenue
Yuanhe Town
Xiangcheng District
Suzhou
Jiangsu
PRC

China Construction Bank
Suzhou Xiangcheng Branch
No. 780, Huayuan Road
Xiangcheng District
Suzhou
Jiangsu
PRC

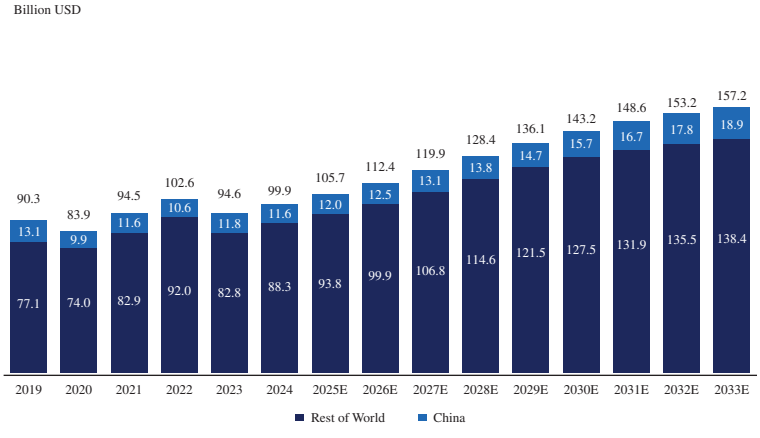
The information and statistics set out in this section and other sections of this document were extracted from the report prepared by F&S, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged F&S to prepare the F&S Report,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

THE RESPIRATORY DISEASE DRUG MARKET

Respiratory diseases accounted for around 6.4% of global pharmaceutical market in 2023. Driven by high prevalence rates, an aging population, and increased exposure to environmental pollutants, the global respiratory drug market size was valued at US$99.9 billion (approximately RMB729.2 billion) in 2024, and it is projected to reach US$157.2 billion (approximately RMB1,147.4 billion) by 2033, growing at a CAGR of 5.2%, while the respiratory system pharmaceutical market in China reached RMB83.1 billion in 2024, and is expected to reach RMB135.5 billion in 2033, growing at a CAGR of 4.5% from 2024 to 2028 and 6.5% from 2028 to 2033. The chart below sets forth the size of the global respiratory system pharmaceutical market for the years indicated.

Global and China Respiratory System Pharmaceutical Market, 2019-2033E

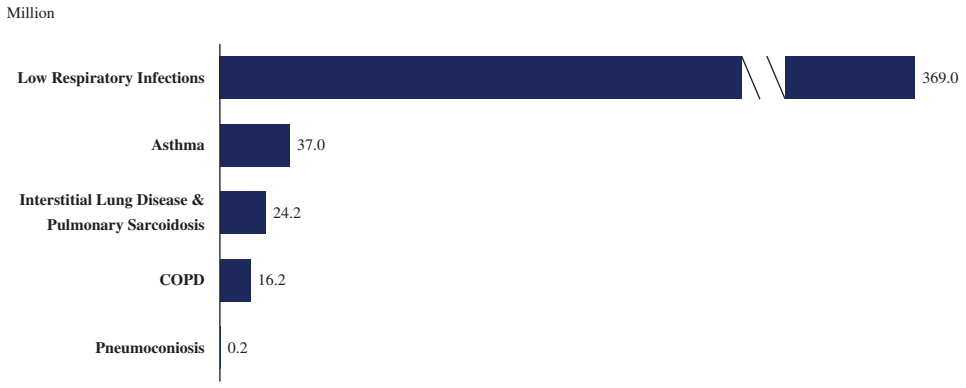
Period	Global	China
2019-2024	2.0%	-2.5%
2024-2033E	5.2%	5.6%



Source: F&S Report

Respiratory diseases represent a significant global health burden, where nearly 2.5 billion people worldwide were living with chronic respiratory diseases in 2024. Many respiratory diseases are chronic in nature, with asthma, COPD and allergic rhinitis being three major types of chronic respiratory diseases. The chart below illustrates the global top respiratory diseases by incidence.

Global Top Respiratory Diseases by Incidence in 2021



Source: Global Burden of Diseases, Injuries, and Risk Factors Study, F&S Report

Traditional Respiratory Diseases Treated by Inhalation Therapy

Respiratory diseases have traditionally been treated through a combination of systemic and inhaled therapies, with inhalation being a cornerstone treatment for conditions like asthma and COPD due to its ability to deliver medications directly to the airways, providing rapid onset of action, high local drug concentrations, and reduced systemic side effects. This approach has been particularly effective for bronchodilators and anti-inflammatory agents in managing airway obstruction and inflammation.

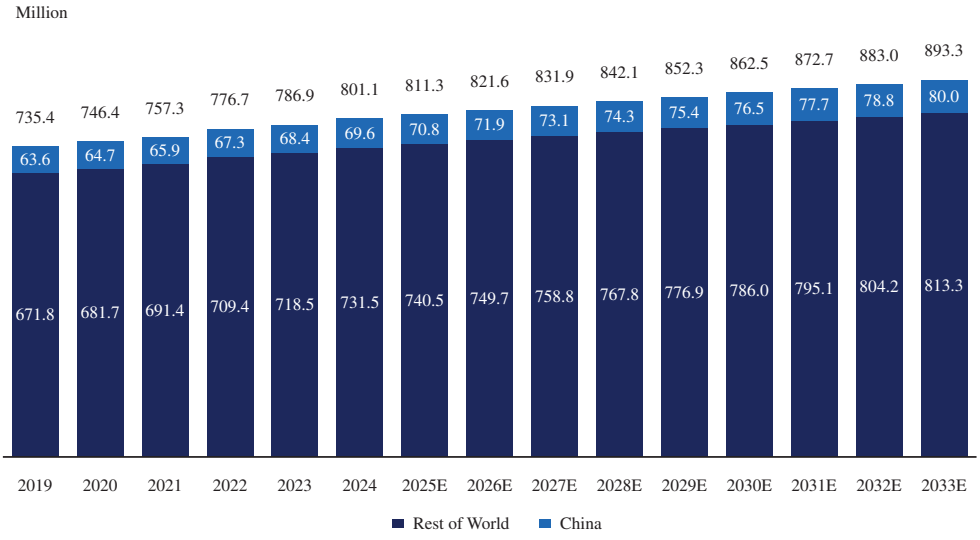
Asthma

Asthma is a chronic inflammatory condition of the airways in the lungs, characterized by recurring episodes of wheezing, breathlessness, chest tightness, and coughing. Asthma symptoms arise due to varying degrees of airway obstruction, often triggered by allergens such as smoke, stress, or respiratory infections.

The number of asthma patients in China reached 69.6 million in 2024, and is expected to increase to 80.0 million in 2033. Notwithstanding its high prevalence in China, its diagnosis and treatment rates remain relatively low. In 2024, the asthma diagnosis and treatment rates in China were only about 28.8% and 28.3%, respectively, which was significantly lower than those in the United States of 46.7% and 40.0%, respectively. The chart below sets forth the prevalence of asthma globally and in China for the years indicated.

Prevalence of Asthma Globally and in China, 2019-2033E

Period	Global	China
2019-2024	1.7%	1.8%
2024-2033E	1.2%	1.6%



Source: Prevalence, risk factors, and management of asthma in China: a national cross-sectional study Epidemiology of childhood asthma in mainland China (1988 -2014): A meta-analysis Survey on the current status of asthma control and disease awareness among urban asthma patients across the country (全國城區哮喘患者控制現狀和疾病認知程度的調查) (CARN-2015-01), F&S Report

Asthma treatment primarily focuses on symptom control and relief and is generally determined based on the severity of the patient's condition. The selection of therapeutic drugs is based on a stepwise treatment principle according to changes in disease control (escalating or downgrading). Generally, there are two kinds of asthma medications. Maintenance medications, including ICS, or ICS and LABA combinations, are used daily long-term, and reliever medications, including bronchodilators, SABA and ICS/formoterol, are used in acute asthma attacks. Intermittent asthma typically does not require daily controller medication; instead, a quick-relief bronchodilator, as a rescue inhaler is often recommended. The following chart illustrates the treatment paradigm for asthma patients in China.

Severity Classification*	**Mild**		**Moderate**	**Severe**	
Treatment Options	**Level 1**	**Level 2**	**Level 3**	**Level 4**	**Level 5**
Recommended Maintenance Medication	As-needed ICS/formoterol	Low-dose ICS or as-needed ICS/formoterol	Low-dose ICS/LABA	Medium ICS/LABA	Add other treatments, such as anti-IgE, anti-IL5/5R, anti-IL4R
Other Maintenance Medication	As-needed SABA plus low-dose ICS	Leukotriene receptor antagonists (LTRA) Low-dose theophylline	Medium/low-dose ICS plus LTRA (or add theophylline)	High-dose ICS/LAMA** (or add LTRA or add theophylline)	High-dose ICS/LABA (or add LAMA, or add theophylline, or add low-dose oral hormone)
Recommended Reliever Medication	As-needed ICS/formoterol (recommended)				
Other Reliever Medication	As-needed SABA				
Non-Pharmacological Treatment	• Cessation of smoking, environmental tobacco exposure, and vaping • Physical activity • Pulmonary rehabilitation programs • Avoidance of occupational and domestic exposures to allergens and irritants				

* Intermittent asthma does not typically require daily controller medication. Instead, it is often recommended to use a quick-relief bronchodilator as a rescue inhaler when needed.

** LAMA inhalation is only used in adults aged 18 years and older.

Source: Guidelines for Bronchial Asthma Prevent and Management (2020 edition), Global Initiative for Asthma (2024 edition), F&S Report

There remains a significant unmet medical need for the treatment of asthma today. Despite existing treatment guidelines, adherence to long-term medication regimens is low, contributing to poor asthma control. Studies have shown that the total control rate of Asthma in China was only 28.5% in 2016, indicating a widespread problem that requires attention. Additionally, there is a lack of targeted therapies for severe asthma, leaving some patients with frequent exacerbations despite high-dose treatments. The low penetration rate of lifelong disease management programs is further hindered by limited awareness and education, both among patients and healthcare providers, underscoring the need for improved public health strategies.

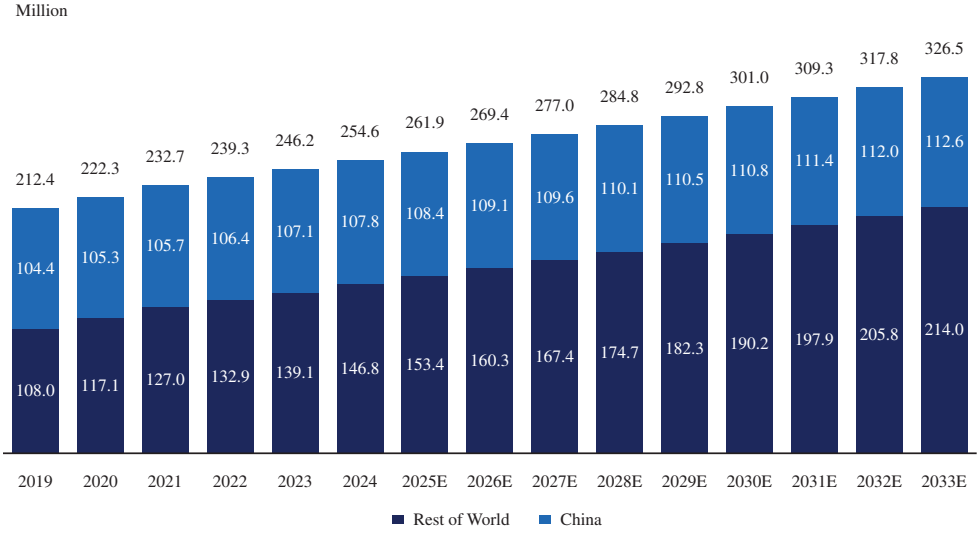
COPD

COPD is a progressive lung disease characterized by persistent breathing difficulties and reduced airflow, primarily caused by exposure to harmful pollutants like cigarette smoke. Symptoms include chronic cough, wheezing, and shortness of breath, worsening with disease progression.

Globally, the number of patients affected by COPD reached approximately 254.6 million in 2024, and is expected to reach 326.5 million in 2033, driven by the prevalence of smoking and air pollution. In China, the number of COPD patients reached approximately 107.8 million in 2024, and is expected to increase to 112.6 million in 2033. In 2024, COPD diagnosis and treatment rates in China were only about 26.8% and 20.2%, respectively, which was significantly lower than those in the United States of 68.3% and 58.3%, respectively. The chart below illustrates the prevalence of COPD globally and in China for the years indicated.

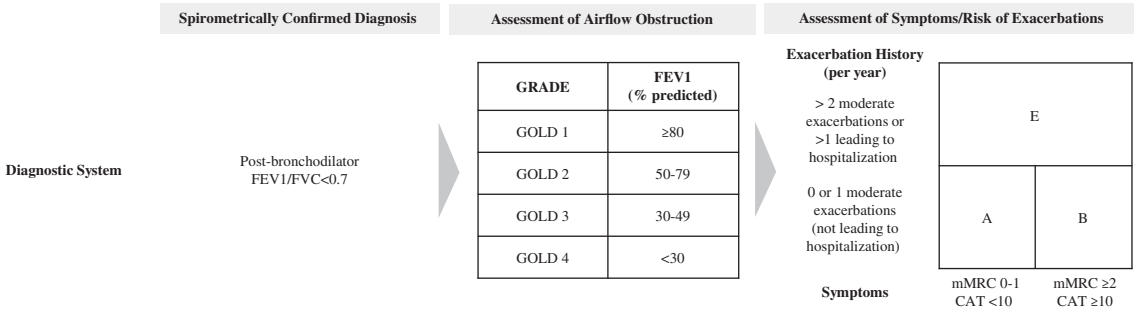
Prevalence of COPD Globally and in China, 2019-2033E

CAGR	Global	China
2019-2024	3.7%	0.6%
2024-2033E	2.8%	0.5%



Source: Chronic obstructive pulmonary disease in China: a nationwide prevalence study Prevalence and risk factors of chronic obstructive pulmonary disease in China (the China Pulmonary Health [CPH] study): a national cross-sectional study GOLD Stage and Treatment in COPD: A 500 Patient Point Prevalence Study Epidemiological status and prevention and treatment strategies of chronic respiratory diseases in China (中國慢性呼吸疾病流行狀況與防治策略), F&S Report

Based on its symptoms and degree of exacerbation history, the severity of COPD can be classified into four levels. Bronchodilators (e.g., SABAs), which work by changing the tension of airway smooth muscles, are used for symptomatic relief in patients with mild symptoms. For patients with moderate to very severe COPD, ICS combined with LABA can improve lung function and health and reduce acute exacerbations more effectively than a single agent. Triple therapy improves symptoms and reduces risk better than single medication. The following chart illustrates the classification of COPD and its treatment paradigm.



	Group	Initial Pharmacological Treatment	Follow-up Pharmacological Treatment	
Pharmacological Treatment	A	A bronchodilator	Dyspnea: LABA or LAMA or LABA+LAMA Exacerbations: LABA or LAMA or LABA+LAMA or LABA+LAMA+ICS	
	B	LABA+LAMA		
	E	LABA+LAMA Consider LABA+LAMA+ICS if blood eosinophils ≥ 300		
Non-Pharmacological Treatment	**Group**	**Essential**	**Recommended**	**Depending on Local Guidelines**
	A	Smoking cessation	Physical activity	Vaccinations such as influenza, COVID-19, RSV and so on
	B and E	Smoking cessation Pulmonary rehabilitation		

Source: Guidelines for the Diagnosis and Management of Chronic Obstructive Pulmonary Disease (2021 edition), Global Initiative for COPD (2024 edition), F&S Report

Globally, while the age-standardized incidence rate of COPD has decreased, the number of new cases and deaths has risen significantly, indicating a vast disease burden for COPD. Many COPD patients struggle with adherence to long-term inhalation therapies, often due to improper techniques or self-adjusting dosages. Easy-to-use, low-resistance devices could improve adherence. In addition, effective management requires more than drug therapy; lifestyle changes such as increased physical activity, smoking cessation, and balanced diet are essential to addressing the disease comprehensively.

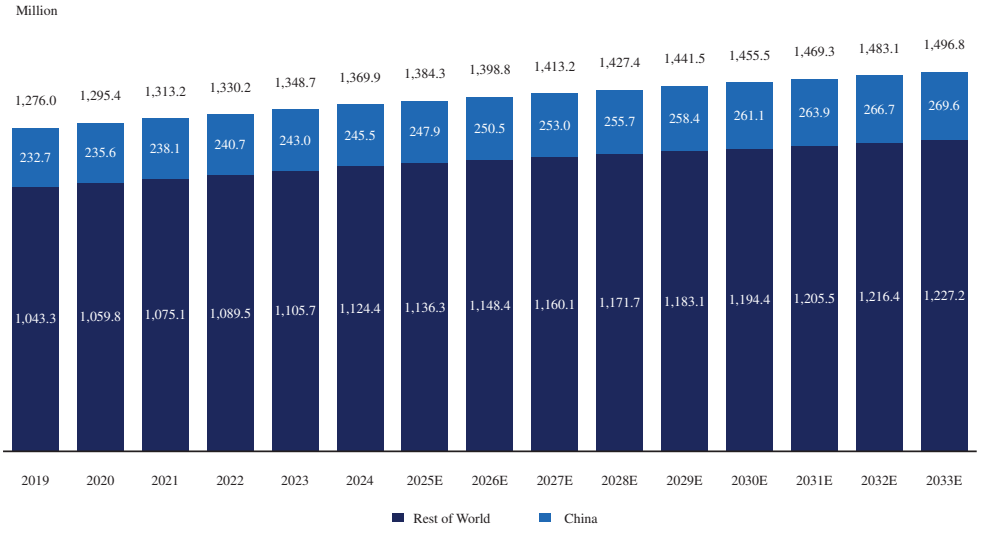
Allergic Rhinitis

Allergic rhinitis is an allergic reaction that occurs when the immune system overreacts to airborne allergens such as pollen, dust mites or mold spores. This condition is characterized by symptoms such as sneezing, runny or congested nose, itchy eyes, nose, or throat, and watery eyes. These symptoms can vary in severity and significantly impact a person's quality of life, especially during certain seasons or in specific environments where allergens are more prevalent. Studies have also shown that the allergic rhinitis patient group comprises predominantly pediatric patients, which further poses difficulty for condition management.

Allergic rhinitis is a common condition. The total number of allergic rhinitis patients globally reached approximately 1,369.9 million in 2024, and is expected to increase to 1,496.8 million in 2033. In China, this number reached approximately 245.5 million in 2024, and is expected to increase to 269.6 million in 2033. In 2024, the allergic rhinitis diagnosis and treatment rates in China were about 37.3% and 45.0%, respectively, which were significantly lower than those in the United States of 49.6% and 85.0%, respectively. The chart below illustrates the prevalence of allergic rhinitis globally and in China for the years indicated.

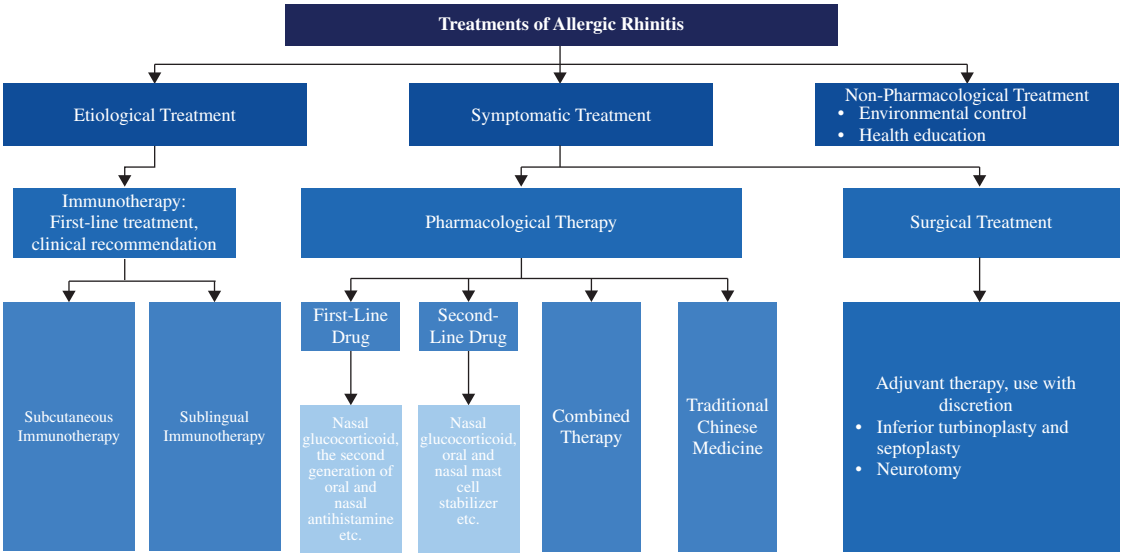
Prevalence of Allergic Rhinitis Globally and in China, 2019-2033E

CAGR	Global	China
2019-2024	1.4%	1.1%
2024-2033E	1.0%	1.0%



Source: Worldwide prevalence of rhinitis in adults: A review of definitions and temporal evolution Increasing Prevalence of Allergic Rhinitis in China Chinese Society of Allergy Guidelines for Diagnosis and Treatment of Allergic Rhinitis, F&S Report

The treatment principle of allergic rhinitis includes environmental control, pharmacological therapy, immunotherapy and health education. In addition, the treatments of allergic rhinitis can be identified with etiological treatment and symptomatic treatment. The etiological treatment includes immunotherapy while symptomatic treatment includes pharmacological therapy and surgical treatment. The following chart illustrates the treatment paradigm of allergic rhinitis.



Source: Chinese Guideline for Diagnosis and Treatment of Allergic Rhinitis (2022 edition), F&S Report

The predominance of children in the allergic rhinitis patient group poses additional challenges to effective long-term management because treatment options are mainly symptomatic. Low awareness of allergic rhinitis and its frequent occurrence in the presence of allergens lead many patients to seek medical treatment only when complications arise, resulting in low rates of diagnosis and treatment. Consequently, a significant number of patients either do not receive medical care or remain undiagnosed. Therefore, disease management needs to assess the control and severity of allergic rhinitis and guide appropriate drug therapy or immunotherapy based on its type and severity.

INHALATION DRUGS FOR RESPIRATORY DISEASES

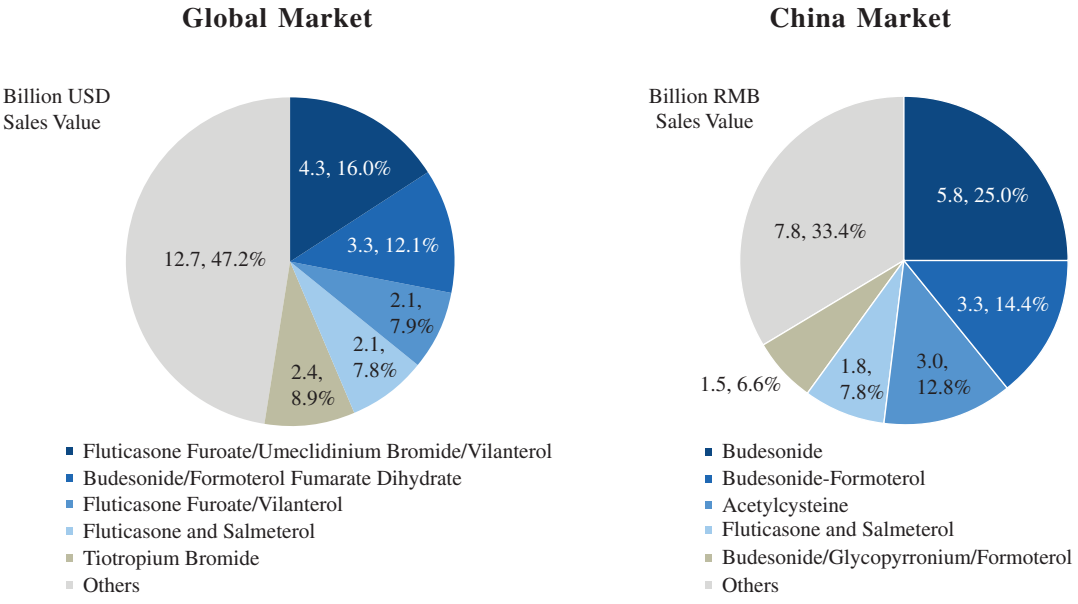
Inhalation formulations are often described as drug-device combinations because they integrate pharmaceutical compounds with specialized delivery mechanisms (such as inhalers, nebulizers, or aerosol devices) that are essential for accurately targeting medication to the respiratory tract and achieving therapeutic efficacy. They are the primary treatment for respiratory diseases such as asthma, COPD and allergic rhinitis.

Inhalation formulations offer numerous crucial advantages over traditional drug delivery methods such as oral medications and injections. Unlike oral drugs, inhalation treatments deliver medication directly to the lungs, the site of action, allowing for rapid absorption and bypassing gut's metabolism, which enhances bioavailability and reduces the required drug dosage. Compared to injectable preparations, inhalation avoids mechanical injury to tissues and can decrease or eliminate some adverse drug reactions. Patients are also more likely to follow their prescribed treatment schedule when using inhalation formulations, as it eliminates injection-related discomfort, leading to improved patient compliance where patients consistently take their medication as directed. As a drug-device combination product, inhalation formulations are generally more difficult to develop than oral or injectable medications, due to the complex design requirements for ensuring particle size, stability, and delivery efficiency to the lungs and the need for specialized devices to properly administer the drug.

Respiratory diseases remain the dominant indication addressed by inhalation formulations, accounting for 86.4% of the global inhalation formulation market and 88.3% of the Chinese market in 2024. Leveraging the benefits of direct drug delivery to the lungs and systemic circulation, inhalation therapies are expanding its frontiers to other therapeutic areas, such as neurological disorders, infections and more. Central nervous system (CNS) disorders have emerged as the second-largest segment, representing 10.3% globally and 11.6% in China that same year. Overall, the global inhalation formulation market is expected to grow from US$31.0 billion (approximately RMB226.3 billion) in 2024 to US$61.6 billion (approximately RMB449.6 billion) in 2033 at a CAGR of 7.9% from 2024 to 2033. China's market is expected to grow even faster, from RMB26.3 billion to RMB44.8 billion in the same period, at a CAGR of 6.1%, primarily driven by the growing awareness of inhalation formulations and their widening applications across various therapeutic areas.

The global inhalation formulation market for respiratory diseases reached US$26.8 billion (approximately RMB195.6 billion) in 2024 and is expected to grow to US$46.2 billion (approximately RMB337.2 billion) by 2033, at a CAGR of 6.2% from 2024 to 2033. In China, the market reached RMB23.2 billion in 2024 and is projected to reach RMB35.1 billion by 2033, representing a CAGR of 4.7% from 2024 to 2033. Budesonide leads the inhalation preparation market in China, accounting for 25.0% of the Chinese market in 2024. Budesonide/formoterol ranks second in China, representing 14.4% of the Chinese market. The following chart shows the breakdown of the inhalation formulation market for respiratory diseases by generic drug type in 2024, both globally and in China.

Breakdown of Global and China Respiratory Disease Inhalation Formulations Market by Generic Name, 2024



Source: F&S Report

The following table sets forth the top ten best-selling inhalation formulation drugs globally in 2024.

Rank	Brand Name	Generic Name	Manufacturer Name	Device Type	2024 Sales Revenue, USD Billion
1	Trelegy/Ellipta	Fluticasone Furoate/ Umeclidinium Bromide/Vilanterol	GSK	DPI	3.5
2	Symbicort	Budesonide/ Formoterol Fumarate Dihydrate	AZ	MDI/DPI	2.9
3	BreoEllipta	Fluticasone Furoate/Vilanterol	GSK	DPI	1.4
4	**Seretide/Advair**	**Fluticasone/Salmeterol**	**GSK**	**MDI/DPI**	**1.4**
5	**Spiriva**	**Tiotropium Bromide**	**BI**	**DPI**	**1.1**
6	Breztri/Trixeo	Budesonide/Glycopyrrolate/ Formoterol	AZ	MDI	1.0
7	**Ventolin**	**Salbutamol**	**GSK**	**MDI**	0.9
8	Anoro/Ellipta	Umeclidinium Bromide/Vilanterol	GSK	DPI	0.7
9	**Pulmicort**	**Budesonide**	**AZ**	**Nebulization (Suspension)/DPI**	**0.7**
10	Flixotide/Flovent	Fluticasone Propionate	GSK	MDI/DPI	0.7

Source: Annual reports, F&S Report

Active Pharmaceutical Ingredients (APIs)

The active pharmaceutical ingredients (APIs) used in inhalation formulations for respiratory diseases are well-established with proven efficacy and safety profiles. The most common classes of APIs used include corticosteroids, beta-agonists, and muscarinic antagonists, details of which are set out in the table below.

Class of Drugs	Typical Medications	Key Features
Corticosteroids	Budesonide, Fluticasone	Corticosteroids work by reducing airway inflammation, thereby improving respiratory function, offering both immediate relief and long-term respiratory health maintenance to patients with varying degrees of respiratory disease severity.
Beta Agonists	Short-acting beta agonists (SABAs): Terbutaline, Salbutamol Long-acting beta agonists (LABAs): Salmeterol, Formoterol, Arformoterol	Beta-agonists manage respiratory conditions by relaxing the muscles of the airways, leading to their widening and making it easier to breathe. They achieve this by stimulating beta-adrenergic receptors in the smooth muscle of the airways.
Muscarinic Antagonists	Short-acting muscarinic antagonists (SAMAs): Ipratropium Long-acting muscarinic antagonists (LAMAs): Tiotropium bromide, Umeclidinium bromide, Glycopyrronium bromide	Muscarinic antagonists, also known as anticholinergics, manage respiratory conditions by relaxing the muscles of the airways. They achieve this by blocking the action of acetylcholine, a chemical messenger in the nervous system that can cause airway constriction.

As the APIs are relatively established, development efforts primarily focus on improving bioavailability, prolonging treatment effect, and reducing side effects. Research is also being done on developing API combinations. These combination drugs can target different aspects of the underlying disease processes, thereby providing more comprehensive symptom control. A single dose of combination inhalation drug is also more cost-effective as compared to two doses of medication containing different APIs.

Inhalation Device Types

Inhalation formulations not only involve different drug compounds, but also vary by device type. With APIs generally being well-established with decades of use, innovation also involves the development of improved device types that enable the APIs to be better delivered to target areas of the lungs. Each device type offers distinct advantages, which are necessary to address the complex interplay of patient physiology and disease characteristics. The table below sets the common types of inhalation formulation devices and their respective key features.

Inhalant Type	Key Features	Advantages	Disadvantages	Typical Patient Groups
Nebulizers 	Nebulizers use high-speed oxygen airflow to convert liquid medication into a fine mist, which is then inhaled by the respiratory tract to achieve the purpose of treatment.	Easy to use, making it beneficial for those who may have difficulty using inhalers due to coordination issues. Versatile and can be used for a wide range of medications. Flexibility allowing for continuous or multiple high doses depending on patient needs.	Bulky device requiring power source – generally restricted to clinical/in-hospital settings. Treatments typically take longer than MDIs or DPIs.	Suitable for infants, young children, the elderly and individuals who are unable to use MDIs or DPIs effectively, such as those with severe asthma or COPD exacerbations. Ideal for delivering medication over an extended period, allowing for normal inhalation and exhalation.
Nasal sprays 	Nasal sprays are medications administered through the nostrils to provide localized or systemic treatment. They deliver medication directly into the nasal cavities, where it can be absorbed into the bloodstream or act locally on the nasal tissues.	Direct and quick-acting mechanism, making them effective for treating local nasal symptoms. Provides systemic effects with high bioavailability through the nasal mucosa. Easy to use and non-invasive, enhancing patient compliance.	Can cause irritation or dryness in nasal passages. Limited to nasal application. Overuse of decongestant sprays can lead to rebound congestion or dependency.	Typically used for patients with conditions affecting the nasal passages, such as allergic rhinitis. Easy to use for most age groups, although young children might require assistance.

Inhalant Type	Key Features	Advantages	Disadvantages	Typical Patient Groups
Metered-dose inhalers (MDIs)/ inhalation aerosols 	In an MDI, a drug is contained and sealed together with a suitable propellant in a pressure-resistant container which has a special valve system. It consists of a pressurized canister containing the medication and a propellant, housed within a plastic actuator. Each actuation releases a fixed, metered dose of medication in the form of an aerosol spray that the patient inhales directly into their lungs.	Fast-acting, providing quick relief in acute settings. Compact and portable, which improves patient adherence. Widespread availability of different medications in MDI form.	Coordination required, which can be challenging for children and certain other patient groups. Use of propellants may have environmental and toxic side effects. Potential incomplete or suboptimal delivery of medication in the event of improper technique.	Widely used across various age groups, including children, adolescents, and adults. Requires coordination of actuation and inhalation, so may be challenging for some young children or elderly patients with coordination difficulties.
Dry powder inhalers (DPIs) 	A DPI is a drug delivery system in which one or more dry powder form drugs are administered into the respiratory tract via a special inhalation device to exert systemic or local effects. DPIs are breath-activated, meaning that the patient's inhalation triggers the release of the medication.	Propellant-free and breath activated, which eliminates need for coordination between device activation and inhalation. Generally compact and portable, which improves patient adherence. Good compatibility and low production cost.	Requires strong inhalation effort, which may not be suitable for children, elderly or severely ill patients. Can be affected by humidity, which may potentially clog the powder.	Suitable for patients who can inhale quickly and deeply to activate the device. Not ideal for very young children or individuals with severe respiratory distress who cannot generate the necessary inspiratory flow. Often used by adolescents and adults with conditions like asthma and COPD.
Soft mist inhalers (SMIs) 	SMIs are a relatively new form of inhaler, which can deliver drugs in a slow fine mist and does not depend on the inhalation speed of drugs.	Higher lung deposition and better medication absorption due to use of slow-moving mist. Easier coordination between actuation and inhalation compared to traditional MDIs.	Generally more costly than MDIs. Availability of medications may be more limited compared to MDIs and DPIs.	Appropriate for various patient groups, including those who may have difficulty with the coordination required for MDIs. Produce a slow-moving mist that allows for easier inhalation, suitable for older patients or those with compromised hand strength and coordination.

Market Drivers and Trends

The primary market drivers and trends in the inhalation formulation market include the following:

- *National healthcare initiatives.* In September 2024, the National Health Commission announced the inclusion of COPD services in its basic public health program to improve respiratory healthcare accessibility in China. It envisions free routine examinations and enhanced doctor training at the grassroots level to improve disease detection and management across previously underserved regions. This systematic approach to respiratory healthcare, supported by increased healthcare subsidies and standardized protocols, signals sustained and growing demand for effective treatment options.

- *Rising incidence of respiratory conditions.* Urbanization and industrial growth have led to higher pollution levels, contributing to a surge in respiratory ailments worldwide. This rising incidence of respiratory conditions such as asthma and COPD, which reached nearly 40 million and 20 million people globally in 2024, respectively, necessitates more effective and accessible treatments to manage these conditions, thereby boosting demand for innovative inhalation therapies that provide targeted, rapid relief. Moreover, many respiratory conditions are chronic and requires long-term management, which creates a large, stable market for these therapies.

- *Patient preference.* Inhalation therapies are increasingly preferred by patients with due to their rapid onset of action and the direct delivery of medication to the lungs, offering effective symptom relief without the need for invasive procedures. Patients appreciate the immediate benefits, targeted action, and convenience these therapies offer, contributing to higher satisfaction and adherence levels.

- *Patient physiology and optionality.* Different patient groups, ranging from young children to the elderly, present unique challenges in terms of lung capacity, inspiratory force, and the ability to use inhalation devices correctly. The diversity in device design addresses these physiological variances by offering options that cater to specific needs, allowing patients to choose treatments that best suit their individual capabilities and lifestyles.

- *Formulation and technological advancement.* Innovations in formulation and drug delivery technologies are constantly expanding the potential of inhalation formulations in modern medicine. These advancements include the development of combination API products that boost therapeutic efficacy, and optimized dosage forms that enhance clinical outcomes and manufacturing efficiency, such as liposome. Advances in drug delivery technologies, such as siRNA technologies, and the expiration of patents for single-entity drugs further drive this transformation.

- *Expansion of indications.* Inhalation therapies are expanding beyond traditional respiratory uses like asthma and COPD to include other pulmonary diseases such as IPF, PAH and MAC lung disease, as well as systemic disorders and CNS conditions. Researchers are exploring this route for treatments of migraines, and Parkinson's disease. Advancements in drug formulation, delivery technologies and medical devices offer benefits such as targeted delivery, rapid absorption, and blood-brain

barrier bypassing. This approach provides fast therapeutic effects for acute conditions and new avenues for targeting systemic diseases by minimizing gastrointestinal degradation and first-pass metabolism. This expansion is expected to substantially broaden the treatment landscape for inhalation products.

- *Favorable government policies.* In China, government initiatives and policy support play a crucial role in advancing the inhalation formulations market. Programs like the NRDL and VBP scheme aim to alleviate patient financial burdens by integrating inhalation therapies into reimbursement schemes. The "14th Five-Year Plan for the Development of the Pharmaceutical Industry" (《"十四五"醫藥工業發展規劃》) emphasizes the development of high-end formulation technologies and promotes the registration of generic drugs in developed countries. Additionally, the "Consultation Guidance on Generic Orally Inhaled Drug Products Pharmaceuticals and Bioequivalence Research" (《經口吸入製劑仿製藥生物等效性研究指導原則》) facilitates the rapid evaluation of generic drugs. This favorable regulatory environment encourages pharmaceutical companies with strong R&D capabilities to innovate and create cutting-edge inhalation products, while simultaneously streamlining the compliance process for high-quality manufacturers and weeding out less compliant players.

Challenges in Inhalation Formulation Development

Inhalation formulations are well-known to be highly complex and challenging to develop. Set forth below is a summary of the major technical challenges involved. These challenges set a high entry barrier for new market players, requiring a high bar for specialized expertise and time and financial investment.

- **Technical complexity**. Developing inhalation products involves advanced technology and specialized knowledge in areas such as particle engineering, device design, and formulation science. Achieving accurate and consistent drug delivery necessitates maintaining a precise particle size distribution, typically in the range of 3 to 5 um, to ensure that the medication effectively reaches the target site within the lungs. This precision is critical for therapeutic efficacy and safety, as particles that are too large may not reach the deeper lung tissues, while those that are too small might be exhaled before deposition. Overcoming these technical hurdles demands significant investments in research, testing, and innovation, as exemplified by the extensive R&D efforts required to develop consistent and stable formulations like those needed for MDIs and DPIs.

- **Device compatibility**. Ensuring compatibility between the drug formulation and the delivery device is critical for inhalation products. This requires precision in design and manufacturing such that each component can work harmoniously to ensure that the correct dose is aerosolized and delivered consistently. For instance, slight variations in valve design in MDIs can alter the spray pattern and droplet size distribution which may result in inadequate lung deposition, while interactions with device materials like propellants and plastics can lead to chemical degradation or dose inconsistency. Such challenges underscore the significant entry barrier posed by the need to seamlessly integrate the drug and device, as even minor deviations can drastically impact efficacy and therapeutic outcomes.

- **Clinical development.** Compared to other dosage forms, developing inhalation formulations involves managing variability in patient factors and device use across large-scale clinical trials, ensuring consistent and correct use of inhalation devices, and demonstrating bioequivalence for generic products. Complex regulatory requirements across major jurisdictions necessitate specialized expertise in device engineering, formulation science, and respiratory medicine. Developing appropriate *in vitro* tests that correlate with *in vivo* performance adds further complexity. A multidisciplinary approach, integrating regulatory affairs, clinical trial design, and advanced data analysis, is required to meet the stringent standards for developing inhalation therapies.

- **Cross-disciplinary expertise.** Successful development of inhalation products requires collaboration across multiple disciplines, including material science, engineering, pharmacology, and medicine. Each discipline brings crucial insights into the formulation and delivery process, from designing compounds that are stable and efficient to ensuring their safe delivery to patients. Assembling and managing a multidisciplinary team capable of handling such varied aspects can be difficult, often necessitating strategic partnerships and comprehensive project management.

- **Manufacturing challenges**. Manufacturing inhalation products requires specialized facilities and expertise to maintain cGMP compliance and ensure consistent product quality. The complexity of manufacturing processes for inhalation products, including precise control over environmental conditions and advanced packaging solutions, makes large-scale production challenging. Establishing such facilities is costly, and the rigorous standards necessary for regulatory compliance add to the complexity.

- **Regulatory complexity.** The regulatory landscape for inhalation products is highly demanding, with stringent approval processes that necessitate rigorous testing by regulatory bodies such as the FDA and EMA. For example, in China, inhalation formulation drugs must complete bioequivalence studies before applying for product registration, which are typically clinical trials with a significant number of subjects enrolled. Navigating these regulatory requirements can be a significant barrier to market entry, particularly for smaller or less experienced companies.

Major Inhalation Formulation Drugs for Respiratory Diseases

Budesonide

Budesonide is a corticosteroid medication widely used for its anti-inflammatory effects in treating various conditions. It works in the airways and lung tissues to constrict dilated mucosal vessels through multiple mechanisms, improving the sensitivity of bronchial smooth muscle and inflammatory cells to β2 agonists, which enhances its therapeutic effectiveness in asthma treatment. Introduced by AstraZeneca under the brand name Pulmicort® in 1997, budesonide rapidly became a leading inhalation therapy for managing asthma and COPD.

Budesonide inhalation drugs have been developed and marketed in various dosage forms, each being indicated for a different group of people. Clinically, budesonide suspensions are predominantly used for treating asthma symptoms, with the market largely driven by these suspension formulations rather than aerosols and DPIs. Typical indications for budesonide include:

- **Nebulizer/Suspension**: For the maintenance treatment of asthma in adults and prophylactic therapy for children aged 12 months to 8 years.

- **DPI**: For the maintenance treatment of asthma and prophylactic therapy for adults and children aged six years and older, and for patients needing oral corticosteroid therapy for asthma.

- **Aerosol**: For the treatment of severe asthma and asthmatic bronchitis in adults and children aged 2 years and older.

- **Nasal spray**: For the treatment of seasonal or perennial allergic rhinitis in adults and children aged 6 years and older.

In 2024, budesonide inhalation drugs were the best-selling respiratory disease inhalation formulation drugs in China, with a total sales revenue of RMB5.8 billion. Its market size is expected to reach RMB7.6 billion in 2033, growing at a CAGR of 3.1% from 2024 to 2033.

As of the Latest Practicable Date, eight budesonide suspension products have been marketed in China, out of which seven are domestically manufactured products, including our CF017.

Dosage Form	Manufacturer	Brand Name	First Approval Date	Indications	VBP
Nebulizer/ Suspension	AstraZeneca	Pulmicort Respules	2001-11-22	For the maintenance treatment of asthma in adults and prophylactic therapy for children aged 12 months to 8 years	/
	Jiangsu Chia Tai-tianqing Pharmaceutical	Tian Qing Su Chang (天晴速暢)	2020-02-25		√
	ShenZhen Taitai/JoinCare	Wu Shu (霧舒)	2020-07-21		√
	Sichuan Purity	Pu Chang Shu (普暢舒)	2021-04-13		√
	Our Company	**Chang Qi (長風暢起) (CF017)**	**2021-05-11**		√
	Nanjing Licheng	Bang Chang Zhi Shu (佰暢致舒)	2024-06-18		√
	Hebei Chuangjian Pharmaceutical	/	2024-09-19		√
	Zhejiang Fresh Pharmaceutical	Fu Nai De (福奈德)	2024-09-26		/

Source: CDE, F&S Report

Salbutamol Sulphate

Salbutamol, also known as albuterol in some countries, is a widely used medication in the treatment of respiratory conditions including asthma and bronchospasm. This SABA drug works by selectively stimulating receptors in the smooth muscles of the bronchi, leading to bronchodilation and relief from symptoms like wheezing, coughing, and shortness of breath. After it was originally developed as Ventolin® by GSK in 1981, it quickly becoming one of the most commonly prescribed bronchodilators worldwide.

The salbutamol sulfate nebulizer market in China reached RMB0.6 billion in 2024. It features over 20 marketed products. Among these products, only four nebulizer products are included in the VBP list. Details of these marketed salbutamol sulfate nebulizer products are summarized as follows.

Dosage Form	Manufacturer	Brand Name	First Approval Date	Indications	VBP
Nebulizer	Shanghai Sine-Jinzhu	/	1999-01-01	Asthma, Bronchospasm	
	Shenzhen Dafo	Da Fen Ke Chuang (達芬科創)	2000-01-01		/
	GlaxoSmithKline	Ventolin	2001-01-01		
	Hebei Renheyikang	Tan Zhi Shu (坦至舒)	2020-02-05		√
	Suzhou Homesun	/	2020-07-08		√
	Sichuan Purity/ Shandong Hualu	Pu Li Chang (普立昌)	2020-11-02		√
	Zhejiang Fresh	Chang Ke Ning (昌可寧)	2021-02-07		√
	Jewim Pharmaceutical	Liu Sha (留沙)	2021-04-07		
	Our Company	**Chang Shu (昌舒) (CF036)**	**2021-10-26**		
	Weifang Zhongshi	/	2022-11-15		
	Shanghai Sine	/	2022-12-09		
	Shanghai ZhaoHui	Bao Long (寶隆)	2022-12-30		
	Hainan Star	/	2022-12-30		
	Hunan Warrant	Zuo Tan Qing (左坦清)	2023-03-24		
	Nanjing Aureole	Ding Da (丁達)	2023-03-24		
	Weifang Zhongshi	/	2023-04-28		/
	Ma'anshan Fengyuan	/	2023-08-08		
	Lodays	He Ai Lin (合艾林)	2023-11-07		
	Lexen	Su Wei Chang (速維昌)	2024-03-05		
	Chengdu Huayu	/	2024-04-24		
	Zhejiang CDMO	/	2024-06-04		
	Nanjing Aureole	Ding Qing (丁清)	2024-06-18		
	Shandong Hualu	/	2024-06-18		
	Tianjin Meihua Biomedical	/	2024-09-19		
	Hainan Huluwa	/	2025-01-02		

Source: NMPA, F&S Report

Terbutaline

Terbutaline is a SABA widely used to treat respiratory conditions like asthma and bronchospasm. Terbutaline's popularity stems from its effectiveness in relaxing the muscles of the airways, leading to bronchodilation and relief from symptoms such as wheezing, coughing, and shortness of breath. Initially introduced in 1985 as a branded product, AZ Bricanyl®, the terbutaline market has evolved to include numerous generic options, reflecting its widespread use and established efficacy.

In China, the terbutaline nebulizer market reached RMB0.6 billion in 2024. It features over 20 marketed products, all of which are nebulizers for bronchospasm, and five of which were included in the VBP list. Details of these marketed terbutaline nebulizer products are summarized as follows.

Dosage Form	Manufacturer	Brand Name	First Approval Date	Indications	VBP
Nebulizers	AstraZeneca	Bricanyl	2000-12-15	Bronchospasm	/
	Deyang Huakang	Hui De Li Kang (匯德立康)	2020-04-09		
	Hebei Renheyikang	Tan Lin Shu (坦林舒)	2020-11-24		√
	Shijiazhuang No. 4	Fei Ta Lin (菲他林)	2021-04-07		/
	Suzhou Homesun	Kang Ni (康尼)	2021-06-01		√
	Sichuan Purity	Te Mei Jing (特美淨)	2022-02-23		√
	Jiangsu Dahongying Hengshun	Heng Tuo Ni (恒托尼)	2022-06-07		√
	Joincare Haibin	Te Rui Tong (特瑞通)	2022-06-07		√
	Jewim Pharmaceutical	Bei Ke Shu (倍可舒)	2022-11-17		
	Hunan Kelun	Ke Ai Li (科艾利)	2023-02-07		
	Nanjing Aureole	Ding Xin (丁信)	2023-04-11		
	Shenyang Sinqi	/	2023-04-11		
	Univision Pharmaceutical	Qing Shuang (慶爽)	2023-05-12		
	Jiangxi Aishite	/	2023-05-19		
	Sichuan HMZS	Yi Kang Xin (亦康欣)	2023-05-19		
	Our Company	**Chang Lin (暢霖) (CF038)**	**2023-09-05**		/
	Chengdu Open	/	2023-12-05		
	Jiangsu PharmaMax	Li Pu Song (力撲鬆)	2023-12-13		
	Shandong Hualu	/	2023-12-29		
	Zhejiang CDMO/ Jianmin Pharmaceutical	/	2024-04-07		
	Nanjing Aureole	Ding Xin (丁信)	2024-04-11		
	Hainan Huluwa	/	2024-04-17		
	Hainan Star	/	2024-04-24		
	Zhejiang CDMO/ Zhejiang Bio-Diamond	/	2024-05-29		
	Kivipharm	/	2024-07-30		
	Hunan Warrant Pharmaceutical	Tai Shi Lin (泰適林)	2024-07-30		
	Zhejiang Jinhua Conba BioPharm. Co., Ltd.	/	2025-01-08		

Source: NMPA, F&S Report

Arformoterol Tartrate

Originally developed as Brovana® by Sunovion Pharmaceuticals Inc. in 2006, arformoterol tartrate nebulizers gained widespread recognition for their efficacy in providing long-lasting bronchodilation and symptom relief for patients with COPD. Since then, the market has seen a steady increase in the number of arformoterol tartrate nebulizer products available, with over 10 marketed products as of the Latest Practicable Date. In 2024, the global arformoterol tartrate inhaler market reached US$26.6 million (approximately RMB194.2 million). The following table summarizes the marketed arformoterol tartrate nebulizer products in the United States.

Dosage Form	Manufacturer	Brand Name	First Approval Date	Indications
Nebulizer	Lupin/Sunovion Pharmaceuticals	Brovana	2006-10-06	Long-term, twice daily maintenance treatment of bronchoconstriction in patients with COPD, including chronic bronchitis and emphysema
	Slate Run Pharma	/	2021-06-22	
	Cipla	/	2021-06-22	
	Teva	/	2021-11-09	
	Ritedose	/	2022-03-02	
	Alembic	/	2022-05-10	
	Sun Pharm	/	2022-05-26	
	Mankind Pharma	/	2022-11-15	
	Slayback Pharma	/	2022-11-28	
	Jiangsu PharmaMax	/	2024-04-02	
	Our Company	**/ (GW006)**	**2024-05-17**	
	Dr Reddys	/	2024-06-03	
	LexenPharm	/	2024-11-18	
	Aucta	/	2025-02-03	
	Micro Labs	/	2025-03-07	
	Saba Ilac Sanayi	/	2025-04-25	

Source: FDA, CDE, F&S Report

As of the Latest Practicable Date, there were no arformoterol tartrate inhalation products marketed in China. As of the same date, there were eight arformoterol tartrate nebulizer candidates and one DPI candidate under development in China, details of which are summarized as follows.

Dosage Form	Manufacturer	Clinical Stage	Indications	First Posted Date
Nebulizer	Jiangsu Chia Tai-tianqing	BE	Long-term, twice daily (morning and evening) maintenance treatment of bronchoconstriction in patients with COPD, including chronic bronchitis and emphysema	2016-12-15
	Jiangsu PharmaMax	Phase III		2022-10-14
	Hunan Warrant	Phase III		2024-04-25
	Jiangsu Hechen	Phase III		2024-08-02
	Hainan Star	Phase III		2024-08-15
	Our Company	**Clinical Approval**		2023-06-25
	Jewim Pharmaceutical	Clinical Approval		2023-09-16
	Hainan Huluwa	Clinical Approval		2024-07-23
DPI	Guangdong Yili	Phase I		2021-01-22

Source: FDA, CDE, F&S Report

Formoterol Fumarate

Formoterol fumarate is a LABA used for the long-term maintenance treatment of COPD, including chronic bronchitis and emphysema. It works by relaxing and opening air passages in the lungs, making breathing easier for patients with ongoing lung diseases. Formoterol was first introduced in the late 1990s, with AstraZeneca's Oxis® Turbuhaler (DPI) approved in Europe in 1997. This was followed by Novartis' Foradil® Aerolizer (DPI) which received FDA approval in 2001. MDI formulations of formoterol, such as Atimos® by Chiesi, were introduced in the mid-2000s. In 2007, the FDA approved Perforomist® (Mylan), a nebulized formulation of formoterol fumarate, expanding the range of delivery options. As of the Latest Practicable Date, there were 11 approved formoterol fumarate solution nebulizers globally and 19 in China, and no candidates under clinical development.

Revefenacin

Revefenacin is a LAMA developed for the long-term maintenance treatment of COPD. It works by relaxing airway smooth muscles, leading to improved bronchodilation and airflow. As of the Latest Practicable Date, Mylan/Theravance's Yupelri® was the only officially approved revefenacin inhalation product globally after it received FDA approval in 2018, with two other revefenacin nebulization products manufactured by Mankind and Orbicular having been provisionally approved by the FDA. As of the Latest Practicable Date, there were four revefenacin nebulizer candidates under clinical development, details of which are summarized as follows.

Dosage Form	Manufacturer	Clinical Stage	Indications	First Posted Date
Nebulizer	Mylan	NDA	COPD	/
	Humanwell Puracap (Likang) Pharmaceuticals	Clinical Approval		2023-09-01
	Yunnan Longhai Natural Phytopharmaceutical	Clinical Approval		2024-02-05
	Our Company	**Clinical Approval**		**2024-08-31**

Source: FDA, EMA, ClinicalTrials, EU CTR, annual reports, F&S Report

Azelastine/Fluticasone

Azelastine/fluticasone propionate is a combination medication primarily used for the treatment of allergic rhinitis. Azelastine/fluticasone propionate combines two active ingredients with different mechanisms of action. Azelastine hydrochloride is an antihistamine that works by blocking histamine receptors, reducing allergy symptoms such as sneezing, itching, and runny nose. Fluticasone propionate is an ICS that reduces inflammation in the nasal passages, alleviating congestion and other symptoms associated with allergic rhinitis. The originator drug for this combination is Dymista®, developed by Meda Pharmaceuticals and approved by the FDA in 2012. In China, the size of the azelastine/fluticasone propionate inhaler market reached RMB26.2 million in 2024 and is expected to reach RMB664.0 million by 2033, at a CAGR of 43.2% from 2024 to 2033.

As of the Latest Practicable Date, there were two marketed azelastine hydrochloride and fluticasone propionate nasal spray products available in China, including our CF018.

Dosage Form	Manufacturer	Brand Name	First Approval Date	Indications	VBP
Nasal Spray	**Our Company**	**Shu Fei Min (舒霏敏) (CF018)**	**2022-11-01**	For the relief of symptoms of seasonal allergic rhinitis in adult and pediatric patients 6 years of age and older	/
	Viatris/Meda Pharmaceuticals	Dymista	2023-06-30		

Source: NMPA, CDE, F&S Report

Mometasone Furoate

Mometasone furoate is a synthetic corticosteroid widely used in treating inflammatory conditions, particularly in respiratory and dermatological applications. Merck Sharp & Dohme initially developed Nasonex®, a mometasone furoate nasal spray, for allergic rhinitis treatment in 1997.

As of the Latest Practicable Date, there were three marketed mometasone furoate nasal sprays and seven nasal spray candidates under clinical development in China, details of which are summarized as follows.

Marketed Mometasone Furoate in China

Dosage Form	Manufacturer	Brand Name	First Approval Date	Indications	NCDP
Nasal Spray	Schering-Plough/ Organon/Merck	Nasonex	2000-07-14	Nasal symptoms of seasonal allergic and perennial allergic rhinitis	/
	Zhejiang Xianju	Yi Qing (益青)	2011-12-01		
	Lek Pharmaceuticals	Nasometin	2022-11-15		

Mometasone Furoate at Clinical Stage in China

Dosage Form	Manufacturer	Clinical Stage	Indications	First Posted Date
Nasal Spray	Sichuan otsuka	NDA	Allergic rhinitis	2019-05-10
	Sichuan Purity	NDA		2020-09-16
	Our Company	**Phase III**		2024-07-12
	Shanghai Baian/Nanchang Baiji	BE		2020-05-06
	Jewim Pharmaceutical	BE		2022-11-18
	Yangtze River	Clinical Approval		2020-04-26
	Kunming Yuanrui	Clinical Approval		2023-12-12

Source: FDA, NMPA, CDE, F&S Report

Salmeterol/Fluticasone

Salmeterol/fluticasone is a combination of two medicines that are used to help control the symptoms of asthma and improve breathing. It is used when a patient's asthma has not been controlled sufficiently on other asthma medicines, or when a patient's condition is so severe that more than one medicine is needed every day. Salmeterol is a selective LABA that dilates the bronchi; fluticasone propionate is an ICS with a high affinity for glucocorticoid receptors

and has a strong local anti-inflammatory effect. Addition of the LABA to an inhaled ICS in patients with persistent asthma symptoms provides greater clinical benefit than doubling the dosage of the inhaled corticosteroid. The originator drug for this combination is GSK's Seretide®, which was approved in 1999 by the FDA. This drug has been the fourth highest selling inhalation drug globally and in China in 2024.

In 2024, the salmeterol/fluticasone inhaler market in China reached RMB1.8 billion. As of the Latest Practicable Date, there were three marketed salmeterol/fluticasone combination drugs in China, including GSK's Seretide®, which is available in DPI and MDI dosage forms, and Joincare's Jiankechang (健可暢) DPI product. Our CF006/CF043 is the only MDI inhalation drug candidate that reached clinical stage in China. Details of the marketed and clinical-stage salmeterol/fluticasone drugs in China are summarized as follows.

Marketed Salmeterol and Fluticasone in China

Dosage Form	Manufacturer	Brand Name	First Approval Date	Indications	2023 Medical Insurance Status	VBP
DPI	GSK	Seretide	2001-11-07	• Twice-daily treatment of asthma in patients aged 4 years and older. • Maintenance treatment of airflow obstruction and reducing exacerbations in patients with COPD	List B since 2017	/
	Joincare	Jian Ke Chang (健可暢)	2024-06-04			
	Sichuan Purity	/	2025-03-04			
MDI	GSK	Seretide Evohaler	2004-04-15	Asthma in adult and adolescent patients aged 12 years and older		

Salmeterol and Fluticasone at Clinical Stage in China

Dosage Form	Manufacturer	Clinical Stage	Indications	First Posted Date
Aerosol (MDI)	**Our Company**	**Phase III**	Asthma, COPD	2021-03-14
DPI	Jiangsu Chia Tai-tianqing	BE		2024-12-23
	Suzhou Oumini	NDA		/
	Hangzhou Jingrui	NDA		
	Jiangsu Simcere	NDA		2024-10-30
	Respirent Pharmaceuticals	NDA		2024-09-27
	EOC Pharma	Phase III		2021-06-25
	Simcere Pharmaceutical	BE		2020-12-22
	Aitm (Suzhou)	BE		2024-04-02
	Hangzhou Zhixing Pharmaceutical	BE		2024-04-24
	Respirent Pharmaceuticals Co., Ltd	BE		2024-12-23

Source: NMPA, CDE, F&S Report

Beclomethasone/Formoterol

Beclomethasone/Formoterol is an ICS and LABA combination drug for the long-term treatment of COPD that can offer both maintenance and symptomatic treatment effects. As of the Latest Practicable Date, there were eight beclomethasone/formoterol MDI products approved globally, including Chiesi Air's Fostair® and its generic drugs.

Tiotropium Bromide

Tiotropium bromide, a LAMA, is widely used in the treatment of COPD, including chronic bronchitis and emphysema. Its mechanism of action involves relaxing airway muscles, thereby improving breathing. The medication is typically administered via hand-held inhalers or nebulizers. Boehringer Ingelheim pioneered the development of tiotropium bromide, launching it under the brand name Spiriva® in 2004.

The global tiotropium bromide inhaler market reached US$2.4 billion (approximately RMB17.5 billion) in 2024 and is expected to reach US$3.1 billion (approximately RMB22.6 billion) by 2033, while that in China was RMB1.0 billion in 2024 and is expected to reach RMB1.7 billion by 2033.

As of the Latest Practicable Date, there were nine marketed tiotropium bromide products, among which BI's Spiriva® was the only SMI product. As of the same date, there was only one tiotropium bromide SMI candidate under clinical development globally. Details of these marketed and clinical-stage tiotropium bromide products globally are summarized as follows.

Global Marketed Tiotropium Bromide

Dosage Form	Manufacturer	Brand Name	Market Authority	First Approval Date	Indications
DPI	BI	Spiriva	FDA/EMA	2004-01-30 (FDA) 2002-02-04 (EMA)	Long-term, once daily, maintenance treatment of bronchospasm associated with COPD, and for reducing COPD exacerbations
	Lupin	/	FDA	2023-06-20	
	Teva B.V.	Mivient	EMA	2016-05-26	
	Viatris Limited, Ireland	Sirkava	EMA	2018-09-27	
	Glenmark Arzneimittel	/	EMA	2020-12-17	
	Zentiva k.s.	Dilochob	EMA	2021-01-08	
	Elpen Pharmaceutical	/	EMA	2021-09-08	
	Laboratories SMB SA	/	EMA	2024-01-11	
	Stada Arzneimittel	/	EMA	2024-05-22	
SMI	BI	Spiriva Respimat	FDA/EMA	2014-09-24 (FDA) 2007-07-24 (EMA)	

Global Tiotropium Bromide at Clinical Stage

Dosage Form	Manufacturer	Clinical Stage	Indications	First Posted Date
DPI	Phargentis SA	Phase Ill	Asthma, COPD	2022-03-24
	Orion Pharma	Phase I		2018-02-19
SMI	Nephron Pharmaceuticals	Phase II		2020-11-01

Source: FDA, EMA, ClinicalTrials, F&S Report

In China, apart from the originator drug Spiriva® which is available both in DPI and SMI dosage forms, there were three marketed tiotropium bromide DPI products in China as of the Latest Practicable Date. However, none of these three generic drugs have completed a bioequivalence (BE) clinical trial as they were approved before 2016, when a BE clinical trial was not required. As of the same date, there were 12 candidates under clinical development in China, all of which are in DPI dosage form. Details of these marketed and clinical-stage tiotropium bromide products in China and their respective development stage as of the Latest Practicable Date are summarized as follows.

Marketed Tiotropium Bromide in China

Dosage Form	Manufacturer	Brand Name	First Approval Date	Indications	2023 Medical Insurance Status	VBP
DPI	BI	Spiriva	2005-05-10	Long-term, once daily, maintenance treatment of bronchospasm associated with COPD, and for reducing COPD exacerbations	List B since 2009	/
	Jiangsu Chia Tai-tianqing	Tian Qing Su Le (天晴速)	2006-01-01			
	Xianju Zhejiang	Bi Duo Yi (彼多益)	2009-01-01			
	NanChang Helioeast	Hong Ming Rui (弘明瑞)	2013-01-01			
SMI	BI	Spiriva Respimat	2012-05-15			

Tiotropium Bromide at Clinical Stage in China

Dosage Form	Manufacturer	Clinical Stage	Indications	First Posted Date
DPI	Anovent Pharmaceuticals	NDA	COPD	/
	Hangzhou Changxi	NDA		/
	Jewim Pharmaceutical	NDA		/
	Suzhou Oumini	NDA		/
	Joincare Pharmaceutical	BE		2020-11-27
	Sichuan Purity	BE		2022-03-07
	Tianjin Jin Yao	BE		2022-10-24
	Nanjing Licheng	BE		2023-04-06
	Aiteshenbo (Suzhou) Pharmaceutical	BE		2023-11-28
	Sunshine Lake Pharma Co., Ltd.	BE		2024-01-16
	Qilu Antibiotics Pharmaceutical Co., Ltd.	BE		2025-02-23
	Our Company	**Clinical Approval**		**2024-07-05**

Source: NMPA, CDE, F&S Report

Glycopyrrolate Bromide

Glycopyrrolate bromide is a LAMA that has emerged as a valuable treatment option for COPD, offering effective bronchodilation and symptom relief. This inhaled medication, delivered as a powder nebulizer, works by relaxing the muscles in the airways, making it easier to breathe and improving lung function.

Originally developed by Novartis and approved for marketing in China in April 2018, glycopyrrolate bromide has gained significant interest in the Chinese market. As of the Latest Practicable Date, Novartis's Seebri® Breezhaler® was the only marketed glycopyrrolate bromide product in China for long-term, maintenance treatment of airflow obstruction in patients with COPD. As of the Latest Practicable Date, there were eight candidates under development, details of which are summarized as follows.

Dosage Form	Manufacturer	Clinical Stage	Indications	First Posted Date
DPI	Shenzhen Haibin	BE	COPD	2018-10-19
	Sichuan Haisike	BE		2019-12-25
	Reyoung Pharmaceutical	BE		2021-03-25
	Shenzhen Resproly	BE		2022-12-27
	Jewim Pharmaceutical	Phase I		2024-04-12
	Our Company	**Clinical Approval**		2023-05-08
SMI	Anovent Pharmaceuticals	Phase I		2023-09-11
	Renhe Yikang	Clinical Approval		2023-02-08

Source: NMPA, CDE, F&S Report

Indacaterol Maleate/Glycopyrronium Bromide

Indacaterol maleate/glycopyrronium bromide is a fixed-dose combination medication that pairs an ultra-LABA with a LAMA for the maintenance treatment of COPD. This dual bronchodilator combination has demonstrated superior clinical efficacy over LAMA/ICS and LABA/ICS combinations across multiple parameters, including improved lung function, reduced exacerbation frequency, and enhanced quality of life for patients. First developed by Novartis under the brand names Ultibro Breezhaler® and Xoterna Breezhaler®, the drug was approved by the FDA in 2013 and remains the only approved indacaterol maleate and glycopyrronium bromide DPI product globally. As of the Latest Practicable Date, there were nine candidates under clinical development in China and Europe.

Tiotropium Bromide Monohydrate/Olodaterol Hydrochloride

Tiotropium bromide monohydrate/olodaterol hydrochloride is an innovative inhaled combination drug that pairs tiotropium bromide, a LAMA, with olodaterol hydrochloride, a LABA. This dual bronchodilator combination, delivered as an SMI, offers enhanced management of COPD by simultaneously targeting two distinct bronchodilation pathways. Developed by Boehringer Ingelheim and approved by the FDA in 2015, Inspiolto Respimat® and Spiolto® remained the only globally marketed tiotropium bromide and olodaterol hydrochloride SMI product as of the Latest Practicable Date.

RECENT DEVELOPMENTS IN RESPIRATORY DISEASES TREATED BY INHALATION DRUGS

Recently, the application of inhalation therapy has expanded to other respiratory conditions such as idiopathic pulmonary fibrosis (IPF), pulmonary arterial hypertension (PAH) and mycobacterium avium complex (MAC) lung disease, driven by advancements in drug formulation and delivery technologies, as well as a growing understanding of the potential benefits of targeted pulmonary drug delivery. For these newer applications, inhalation therapy offers the promise of improved efficacy through direct delivery to affected tissues, potentially lower systemic exposure, and the possibility of overcoming limitations associated with oral or injectable treatments.

Idiopathic Pulmonary Fibrosis (IPF)

IPF is a serious lung disease characterized by scarring and stiffening of lung tissue, leading to a decline in lung function over time. IPF is a specific form of chronic, progressive fibrosing interstitial pneumonia of unknown cause, which primarily occurs in older adults. Given its unpredictable but progressive evolution, the prognosis of IPF remains generally poor, with a five-year survival rate estimated at a range from 20% to 40%, even lower than those observed in certain types of cancer. IPF primarily affects older adults, typically those over 50 years old, with the risk increasing with age. The majority of cases are diagnosed in people between 60 and 80 years old. In 2024, the incidence of IPF globally reached approximately 610.7 thousand, and is expected to increase to 700.6 thousand in 2033. In China, this number reached approximately 133.8 thousand in 2024, and is expected to increase to 143.3 thousand in 2033, driven by aging population and the prevalence of smoking and air pollution.

Currently, the comprehensive management of IPF involves both pharmacological interventions (including nintedanib and pirfenidone as approved therapies, and corticosteroids for acute exacerbations) and non-pharmacological approaches such as smoking cessation, oxygen supplementation, and pulmonary rehabilitation. Disease monitoring typically includes pulmonary function testing, HRCT scans when clinically indicated, and assessment for lung transplantation when appropriate.

As of the Latest Practicable Date, there were only two drugs approved for IPF in the United States and China, namely Esbriet® (pirfenidone) and Ofev® (nintedanib), each being an oral medication. However, both drugs may cause side effects such as gastrointestinal intolerance, phototoxicity, and liver toxicity, which can sometimes lead to discontinuation of treatment. Inhalation therapy holds significant potential for treating IPF, offering targeted delivery, improved bioavailability, and reduced systemic exposure. Several inhaled therapies are under development, and if successful, they could offer new treatment options for patients with IPF, potentially improving their quality of life and extending their survival.

As of the Latest Practicable Date, there was no approved IPF inhalation drug globally. In China, there were five IPF inhalation drug candidates under clinical development as of the Latest Practicable Date, none of which has reached phase II clinical trial.

Pulmonary Arterial Hypertension (PAH)

PAH is a rare but serious condition characterized by high blood pressure in the arteries of the lungs, leading to strain on the heart. PAH significantly impacts the quality of life and survival of those affected. PAH affects all age groups, but its prevalence is higher in individuals over 65 years old due to the increased incidence of cardiac and pulmonary conditions in this age group. Globally, the number of patients affected by PAH reached 370.8 thousand in 2024, and is expected to reach 404.1 thousand in 2033. In China, these figures reached approximately 86.6 thousand in 2024, and is expected to increase to 99.9 thousand in 2033, driven primarily by aging population.

Currently, there is no cure for PAH, and treatments focus on managing symptoms and improving outcomes through a comprehensive approach including the use of vasodilators, prostacyclin analogs, and combination therapies, along with supportive measures such as supervised exercise and psychosocial support. Significant unmet needs in PAH treatments remain due to variable patient responses, side effects, and lack of a cure. Inhalation therapy offers promise by delivering medication directly to the lungs, enhancing effectiveness, improving bioavailability, and reducing systemic side effects. Innovative inhaled therapies could improve patient outcomes and extend survival, by offering targeted delivery, improved bioavailability, and reduced systemic exposure. As of the Latest Practicable Date, there were four approved PAH inhalation drugs globally, one of which was approved in China. In addition, there were two PAH inhalation drug candidates under clinical development in China.

Mycobacterium Avium Complex (MAC) Lung Disease

MAC lung disease is associated with multiple chronic lung diseases. It is caused by a group of slow-growing environmental bacteria, presents unique complexities and potential for serious complications. MAC lung disease poses a significant public health challenge and is known to affect a considerable portion of immunocompromised populations, especially those with HIV/AIDS.

The treatment landscape for MAC lung disease typically involves the use of long-term multidrug antibiotic therapy, with standard treatment regimens including combinations of azithromycin, ethambutol, and rifampin. For patients who do not respond adequately to standard therapy after at least 6 months, Arikayce®, an inhaled formulation of the antibiotic amikacin, is the first and only drug approved globally to treat MAC lung disease in adult patients who have limited or no alternative treatment options. Arikayce® recorded global sales revenue of US$363.7 million in 2024.

Nevertheless, unmet needs remain in MAC lung disease treatment, stemming from limited options, poor adherence, extended treatment durations, and potential side effects of current treatment options. These challenges underscore the necessity for innovative inhalation formulations that could deliver combination therapies, novel antibiotics, and immunotherapeutic agents directly to the lungs, potentially reducing side effects, expanding the treatable patient population, and improving overall treatment efficacy. These new formulations may also address antibiotic resistance concerns and enhance patient compliance through shorter treatment courses and improved tolerability. As of the Latest Practicable Date, there were no inhalation drugs for MAC lung disease that were approved nor under clinical development in China.

Endobronchial Valve (EBV) Treatments

EBVs are minimally invasive medical devices used to treat emphysema, an advanced form of COPD. The primary treatment approach for emphysema progresses from conservative management (bronchodilators, ICS, pulmonary rehabilitation, and oxygen therapy) to less invasive bronchoscopic lung volume reduction techniques (particularly EBV), with traditional surgical lung volume reduction reserved for select cases due to its higher risks. In 2024, there were around 100 million patients globally suffering from emphysema. The EBV procedure involves placing one-way valves in the airways of the most damaged lobes of the lungs. These valves allow air and secretions to escape during exhalation while blocking air entry during inhalation, leading to the collapse of the treated lobe and reduction of lung hyperinflation.

EBV offers significant advantages over standard medical treatments, including improved survival rates, enhanced lung function, better quality of life, and increased exercise capacity. In 2018, Pulmonx's Zephyr® valve system was approved by the FDA, becoming the first EBV interventional medical device approved for emphysema. The global market for EBV treatment is substantial, with an estimated 56,000 patients having been treated with Zephyr® valves alone as of 2024.

As of the Latest Practicable Date, there were two approved EBV devices globally. In China, there were three EBV candidates under clinical development as of the same date, details of which are summarized as follows.

Manufacturer	Indication	Clinical Stage	First Posted Date
Anhui Feichang Medical Technology	Breathing difficulty from severe emphysema	Confirmatory Trials	2023-09
Jiangsu Sairen Medical Technology		Confirmatory Trials	2024-03
Our Company		**Confirmatory Trials**	2024-10

Source: FDA, European Commission, NMPA, ClinicalTrials, annual reports, F&S Report

INHALATION DRUGS FOR THE NOSE-TO-BRAIN PATHWAY

The nose-to-brain pathway is a significant advancement in drug delivery, particularly for central nervous system (CNS) conditions. This method facilitates direct transport of medications from the nasal cavity to the brain, circumventing the blood-brain barrier and other obstacles that typically impede efficient CNS drug delivery. To leverage this pathway, pharmaceutical developers design specialized nasal formulations targeting the olfactory region of the nasal cavity, which has a direct neuronal connection to the brain.

This innovative delivery method presents several advantages over traditional drug administration routes, such as the potential for enhanced targeting, improved efficacy, and reduced systemic side effects. The nose-to-brain pathway is particularly promising for conditions requiring rapid drug onset, such as acute migraine treatments, or for drugs that

typically have poor brain penetration when administered orally or intravenously. By bypassing the blood-brain barrier, this method can potentially deliver higher concentrations of drugs to the CNS while minimizing exposure to other parts of the body.

The nose-to-brain pathway shows promise for a wide range of disorders. It is particularly relevant for CNS conditions, including neurological disorders such as migraines and epilepsy, as well as neurodegenerative diseases like Alzheimer's and Parkinson's. Additionally, it may offer new avenues for addressing neuropsychiatric disorders, including depression, anxiety, and schizophrenia. Notably, the applications extend beyond CNS disorders. Research indicates potential benefits for certain ocular conditions, such as dry eye syndrome, by stimulating tear production through nasal nerve activation.

Central Nervous System (CNS) Disorders

Central nervous system (CNS) disorders represent a critical healthcare challenge due to their widespread prevalence and significant impact on quality of life. These disorders include a wide array of neurological and mental conditions such as depression, anxiety, schizophrenia, epilepsy, Alzheimer's disease, Parkinson's disease, multiple sclerosis, and chronic pain. CNS disorders currently affect billions of people globally, including an estimated 1.2 billion people with migraine and 62.3 million with epilepsy. The incidence of these disorders is on an upward trajectory, primarily driven by an aging global population, increased life expectancy, and various environmental factors. For instance, globally, the number of migraine patients reached approximately 1,176.5 million in 2024, and is expected to increase to 1,320.6 million in 2033, while the number of epilepsy patients reached approximately 62.3 million in 2024 and is expected to increase to 73.1 million in 2033. This rising trend is further exacerbated by improved diagnostic capabilities and growing awareness, leading to higher reported cases across all age groups.

Despite their prevalence, many CNS conditions lack effective treatments, presenting substantial unmet clinical needs. The complexity of the brain, difficulties in drug delivery across the blood-brain barrier, and the often chronic nature of these disorders contribute to the challenges in developing successful therapies. This gap between the high disease burden and limited treatment options underscores the urgent need for innovation in CNS drug development and treatment approaches.

- Traditionally, CNS treatments relied heavily on oral medications and injections, but these methods often struggled with issues like the blood-brain barrier and systemic side effects. In response, the pharmaceutical industry has undergone significant transformation in recent years, turning to more sophisticated drug delivery systems.

- Complex formulations have emerged as key players in this evolution. These include extended-release tablets, nanoparticle-based delivery systems, prodrugs, and transdermal patches. These innovations aim to enhance drug efficacy, improve patient compliance, and minimize side effects by providing more targeted and controlled drug delivery.

- Inhalation formulations are also gaining traction as a promising treatment approach, while they are not as widely used as other administration routes. They offer potential for rapid onset of action and the possibility of bypassing the blood-brain barrier. This method is particularly valuable for conditions requiring quick relief, such as migraines, or for diseases where direct brain delivery could significantly enhance treatment efficacy, like Alzheimer's. Reflecting this potential, the global inhalation formulation drug market for CNS disorders reached US$3.2 billion (approximately RMB23.4 billion) in 2024, and is expected to increase to US$7.2 billion (approximately RMB52.6 billion) in 2033 at a CAGR of 9.4% from 2024 to 2033.

As of the Latest Practicable Date, there were seven migraine inhalants approved globally, and one candidate under clinical development in China. As of the same date, there were two approved epilepsy inhalants approved globally, and four candidates under clinical development in China.

Dry Eye Syndrome

Dry eye syndrome is a common ocular condition characterized by insufficient tear production or rapid tear evaporation, leading to discomfort, irritation, and potential vision problems. The number of patients affected by dry eye syndrome globally is expected to increase from 950.9 million in 2024 to 1,045.2 million in 2033, with the number of such patients in China increasing from 310.4 million to 325.1 million in the same period. The current treatment paradigm primarily relies on artificial tears, topical anti-inflammatory medications, and in severe cases, tear duct plugs or surgery. However, these approaches often provide only temporary relief and may require frequent application, leading to compliance issues. In recent years, research has explored alternative treatment methods, including inhalation formulations. These formulations aim to stimulate natural tear production by targeting specific nerves. As of the Latest Practicable Date, only one inhalation formulation drug for treating dry eye syndrome was approved globally.

SOURCE OF INFORMATION

We engaged F&S, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the global and PRC inhalation formulation markets, among other things, for use in this document. Founded in 1961, F&S provides market research on various aspects of the biopharmaceutical industry, among other services. The information from F&S disclosed in this document is extracted from the F&S Report, which was prepared solely for the purpose of the [**REDACTED**] and is disclosed with the consent of F&S. We started to engage F&S as our industry consultant since 2021 and commissioned F&S to prepare the F&S Report for the purpose of the [**REDACTED**] for a fee of RMB350,000. The F&S Report was prepared through analysis of data compiled by F&S from a wide variety of public and proprietary sources. Public sources utilized include news articles, marketing materials and filings by other industry participants, as well as information from trade associations. Proprietary sources consist of F&S's own research database, survey data, industry analyst reports and exclusive interviews with industry participants, customers and other industry

experts. To provide comparable analysis between global and Chinese markets, relevant market values used and referenced in this document have been converted at the exchange rate of US$1.00 to RMB7.2990, which was the prevailing rate as of December 31, 2024. F&S utilized its proprietary forecasting models to cross-check and synthesize the data to produce both qualitative and quantitative analyses and projections included in this document.

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

Trial Administrative Measures of Overseas Securities Offering and Listing

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies ("**Trial Administrative Measures**") and five related guidelines, which has come into effect from March 31, 2023.

According to the Trial Administrative Measures, (i) a domestic enterprise in the PRC that directly or indirectly issues securities outside the PRC or lists and trades its securities outside the PRC shall file a report with the CSRC and submit the relevant materials; if a domestic enterprise fails to comply with the procedures for filing a report, or hides important facts or fabricates any material content in the report, the domestic enterprise may be subject to administrative penalties such as rectification order, warnings, fines, and so forth, and the controlling shareholders, actual controllers, officers in charge and other persons directly responsible may also be subject to administrative penalties such as warnings, fines, and so forth; (ii) the direct overseas issuance and listing of a domestic enterprise refers to the overseas issuance and listing of shares of a joint stock limited company registered and established in the PRC; and (iii) any domestic joint stock limited company shall file a report with the CSRC within three working days after the submission of its application for an overseas listing. A PRC domestic enterprise that fails to complete the filing in accordance with the Trial Administrative Measures may be ordered by the CSRC to make corrections, given a warning and fined not less than RMB1 million and not more than RMB10 million.

In addition, overseas offering and listing by domestic companies shall abide by laws, administrative regulations and relevant rules concerning foreign investment in China, state-owned asset administration, industry regulation and outbound investment. Such activities shall not disrupt domestic market order, harm state or public interest or undermine the lawful rights and interests of domestic investors. A domestic company that seeks to offer and list securities in overseas markets shall (i) abide by applicable laws, including the Company Law of the People's Republic of China and the Accounting Law of the People's Republic of China, administrative regulations and relevant state rules, and formulate articles of association, improve internal control system, enhance corporate governance, and promote compliance in corporate finance and accounting practices; and (ii) abide by national secrecy laws and relevant provisions and take necessary measures to fulfill confidentiality obligations. Divulgence of state secrets or working secrets of government agencies is strictly prohibited. Provision of personal information, important data and etc. to overseas parties in relation to overseas offering and listing of domestic companies shall be in compliance with applicable laws, administrative regulations and relevant state rules. Furthermore, Trial Administrative Measures also stipulates that no overseas offering and listing shall be made under any of the following circumstances (among others) (i) where such fundraising offering and listing is explicitly prohibited by

provisions in laws and regulations; (ii) where the intended securities offering and listing may endanger national security; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; or (v) where there are material ownership disputes over the equity held by controlling shareholders or by other shareholders that are controlled by controlling shareholders or actual controllers.

To enhance confidentiality and archive management for domestic enterprises' overseas offerings and listings, CSRC, MOF, National Administration of State Secrets Protection, and National Archives Administration revised regulations. The updated Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings (CSRC Announcement [2009] No. 29) (《關於加強在境外發行證券與上市相關保密和檔案管理工作的規定》(證監會公告[2009]29號)) were replaced with the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises (CSRC Announcement [2023] No. 44) (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》(證監會公告[2023]44號)) on February 24, 2023. These provisions now cover domestic joint stock companies directly listing overseas and entities indirectly listing abroad. They outline procedural requirements and specify enterprises' confidentiality responsibilities and accounting archives administration, in alignment with the Trial Administrative Measures.

Full Circulation of H Shares

"Full circulation" represents listing and circulating on the Stock Exchange of the domestic unlisted shares of a domestic H-share listed company, including unlisted Domestic Shares held by domestic shareholders prior to overseas listing, unlisted Domestic Shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On August 10, 2023, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請「全流通」業務指引》), allows certain qualified H-share listed companies and H-share companies to be listed for the application of full circulation to CSRC.

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation." Pursuant to the Trial Administrative Measures, shareholders holding unlisted shares in the PRC should comply with the relevant requirements of the CSRC and appoint a domestic enterprise to file a report with the CSRC.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share "Full Circulation" Business ("**Measures for Implementation**"). The businesses of cross-border share transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to these Measures for Implementation.

In order to fully promote the reform of H-shares "full circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, China Securities Depository and Clearing Corporation Limited has issued the Circular on Issuing the Guidelines to the Program for "Full Circulation" of H-shares (《關於發佈<H股「全流通」業務指南>的通知》) in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc.

In addition, in order to implement the new "Nine Rules of the State Council", insist on coordinating high-level institutional openness and security of the capital market, maintain business arrangements for trading in line with bad weather in the Hong Kong securities market, China Securities Depository and Clearing Corporation Limited Shenzhen Branch has issued the Guidelines for the Business of "Full Circulation" of H Shares (《中國證券登記結算有限責任公司深圳分公司H股"全流通"業務指南》), which came into effect on September 23, 2024, the Guidelines to the Program for "Full Circulation" of H-shares (《關於發佈<H股「全流通」業務指南>的通知》) has been abolished at the same time.

LAWS AND REGULATIONS IN RELATION TO PHARMACEUTICAL INDUSTRY

Regulatory Framework of the Pharmaceutical Industry

The PRC Drug Administration Law (《中華人民共和國藥品管理法》), promulgated by the Standing Committee of the National People's Congress of China (the "SCNPC") in September 1984 and last amended in August 2019, along with the Regulations for the Implementation of the PRC Drug Administration Law (《中華人民共和國藥品管理法實施條例》), promulgated by the State Council in August 2002 and last amended in December 2024, jointly establish the legal framework for the administration of pharmaceutical products in China, including governing research, development and manufacturing of drugs. The PRC Drug Administration Law, applicable to entities and individuals engaged in the development, production, trade, application, supervision and administration of pharmaceutical products, regulates pharmaceutical manufacturers, pharmaceutical trading companies and medicinal preparations of medical institutions, covering the development, research, manufacturing, distribution, packaging, pricing and advertisement of pharmaceutical products. The Regulations for the Implementation of the Drug Administration Law provide the detailed implementation regulations for the PRC Drug Administration Law.

Major Regulatory Authorities of the 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.

LAWS AND REGULATIONS IN RELATION TO DRUG RESEARCH AND REGISTRATION

Drug registration involves the process in which an applicant seeks approval for drug clinical trials, marketing licenses, re-registration, and other supplementary applications in accordance with legal procedures and relevant requirements. The NMPA reviews the safety, effectiveness, and quality controllability of the drug based on laws, regulations and existing scientific knowledge, and decides whether to approve the application. Once a drug registration certificate is obtained, the applicant becomes a drug marketing authorization holders (the "DMA Holders"). The SAMR promulgated the Measures for the Administration of Drug Registration, which apply to drug development, registration, supervision and administration activities within the PRC for the purpose of drug marketing.

According to the Measures for the Administration of Drug Registration, an applicant for drug registration should complete the relevant research in pharmacy, pharmacology, toxicology and clinical trials before applying for drug marketing registration to NMPA. Non-clinical safety evaluation research should be carried out in institutions certified by the quality management standards for non-clinical drug research and comply with these standards. Clinical trials of drugs should be approved, and bioequivalence tests should be recorded. Drug clinical trials should be carried out in institutions that meet the relevant provisions, and adhere to quality management standards for clinical trials.

Non-Clinical Research and Animal Testing

The non-clinical safety evaluation study for drugs for the purpose of applying for drug registration and relevant activities shall be conducted in accordance with the Good Laboratory Practice for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範》), which was promulgated on August 6, 2003 and revised on July 27, 2017 by the former CFDA. On April 16, 2007, the former CFDA issued the Administrative Measures for the Certification of Good Laboratory Practice for Non-Clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》), which became effective since July 1, 2023 after being last revised by the NMPA. It provides for the procedures for application and acceptance of Good Laboratory Practice certification by research institutions conducting non-clinical safety evaluation study for drugs, requirements for data review and on-site inspection, audit procedures and supervision and management.

The experimental animals involved in drug research shall be studied, preserved, fed, supplied, applied and managed in accordance with the Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》), which were promulgated by the State Scientific and Technological Commission on November 14, 1988 and were last amended and took effect on March 1, 2017. The Administrative Measures on Good Practice of Experimental Animals (《實驗動物質量管理辦法》) promulgated by the State Scientific and Technological Commission and the former State Bureau of Quality and Technical Supervision and coming into effect on December 11, 1997 initiate the establishment of a national experimental animal seed center and further clarifies the production, usage, testing and supervision of experimental animals. At the same time, according to the Administrative Measures on the Certificate for Experimental Animals (Trial) (《實驗動物許可證管理辦法(試行)》) jointly promulgated by the Ministry of Education, the Ministry of Science and Technology and other ministries and commissions on December 5, 2001 and coming into effect on January 1, 2002, organizations and individuals performing experimentation on animals in China are required to obtain a certificate for use of experimental animals.

Clinical Trials

The NMPA and NHC issued the revised Administration of Quality of Drug Clinical Practice (《藥物臨床試驗質量管理規範》) (the "New Administration of Quality of Drug Clinical Practice") in April 2020, which became effective in July 2020. The New Administration of Quality of Drug Clinical Practice refines and specifies the responsibility

requirements for all parties involved in drug clinical trials. It also emphasizes on the importance of essential documents of a clinical trial as checked by the sponsor and drug administration authorities and as the basis for confirming the authenticity of the implementation of the clinical trial and the completeness of the data collected. In June 2020, the NMPA issued the Guidelines for the Preservation of Essential Documents in Drug Clinical Trials (《藥物臨床試驗必備文件保存指導原則》), which became effective in July 2020.

In November 2019, the NMPA and the NHC jointly promulgated the Notice on Issuing the Administration of Drug Clinical Trial Institution (《藥物臨床試驗機構管理規定》), which stipulates that each clinical trial institution shall maintain an ethics committee responsible for the ethical review of drug clinical trial.

Acceptance of Overseas Clinical Trial Data

The NMPA issued the Technical Guiding Principles for the Acceptance of Overseas Clinical Trial Data of Drugs (《接受藥品境外臨床試驗數據的技術指導原則》) (the "Overseas Data Guiding Principles") in July 2018, as one of the implementing rules for the Innovation Opinions, which provides that overseas clinical trial data can be submitted for clinical evaluation information in the process of drug marketing registration applications in China. According to the Overseas Data Guiding Principles, the overseas clinical trial data shall include, amongst others, the clinical trial data obtained overseas by the sponsor in its simultaneous R&D at home and abroad of innovative drugs, and sponsors must ensure the authenticity, integrity, accuracy and traceability of the overseas clinical trial data and such data must be obtained consistent with the relevant requirements under ICH-GCP. Moreover, sponsors shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system requirements, and the accuracy and integrity of statistical analysis of data. To ensure that the clinical trial design and statistical analysis of the data are scientific and reasonable, for the drugs with simultaneous R&D at home and abroad and forthcoming clinical trials in China, the sponsors may, prior to implementing pivotal clinical trials, contact the CDE to ensure the compliance of pivotal clinical trials' design with the essential technical requirements for drug registration in China. Sponsors must also comply with other relevant sections of the Registration Measures when applying for drug marketing registrations in China using foreign clinical trial data.

To accelerate the R&D and marketing of overseas marketed and China unmarketed innovative drugs and generic drugs in China, the CDE issued the Clinical Technology Requirements for Overseas Marketed and Domestic Unmarketed Drugs (《境外已上市境內未上市藥品臨床技術要求》) in October 2020, which provides for the basic logic for clinical evaluation and technical requirements for clinical trials of overseas marketed and China unmarketed innovative drugs and generic drugs. For such drugs, according to the results of evaluation by CDE, the applications can be in the form of waivers to China-based clinical trials, bridging trials and direct drug marketing registration.

Gathering, Collection and Filing of Human Genetic Resources

Pursuant to the Service Guide for Administrative Licensing of Gathering, Collection, Deal, Export and Exit Approval of Human Genetic Resources of Human genetic resources (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》) promulgated by the Ministry of Science and Technology in July 2015 and the Notice on the Implementation of the Administrative License for the Gathering, Collection, Deal, Export and Exit of Human Genetic Resources (《關於實施人類遺傳資源採集、收集、買賣、出口、出境行政許可的通知》) promulgated by the Ministry of Science and Technology in August 2015, foreign investment sponsors who gather and collect human genetic resources through clinical trials should file a record with the China Human Genetic Resources Management Office through an online system. The Ministry of Science and Technology promulgated the Notice on Optimizing the Administrative Examination and Approval Process of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》) in October 2017 and came into effect in December 2017, which has simplified the approval process for the gathering and collection of human genetic resources for the listing of drugs in China.

Pursuant to the Regulations on the Management of Human Genetic Resources of the People's Republic of China (《中華人民共和國人類遺傳資源管理條例》) promulgated by the State Council in May 2019 and came into effect on July 1, 2019, last amended in March 2024, the State supports the rational use of human genetic resources for scientific research, development of the biomedical industry, improvement of diagnosis and treatment technology, improvement of China's ability to guarantee biosafety and improvement of the level of people's health.

Foreign organizations, individuals and institutions established or actually controlled by them shall not gather or preserve Chinese genetic resources in China, or provide Chinese genetic resources to foreign countries. In addition, the gathering, preservation, utilization and external provision of Chinese genetic resources shall conform to ethical principles and conduct ethical review in accordance with relevant regulations.

On October 17, 2020, SCNPC promulgated Biosecurity Law of the PRC (《中華人民共和國生物安全法》), taking effect from April 15, 2021 and further amended on April 26, 2024. This Biosecurity Law establishes a comprehensive legislative framework for the pre-existing regulations in such areas as epidemic control of infectious diseases for humans, animals and plants and security management of human genetic resources. Additionally, (i) collecting human genetic resources of important genetic families or specific areas in the PRC, or collecting human genetic resources of which the types and quantities are subject to provisions of the competent department of science and technology under the State Council, (ii) preserving China's human genetic resources, (iii) using China's human genetic resources to carry out international scientific research cooperation, or (iv) transporting, mailing, and carrying China's human genetic resource materials out of the country shall be subject to approval of the competent department of science and technology.

On May 26, 2023, the Ministry of Science and Technology promulgated the Implementation Rules for the Administrative Regulation on Human Genetic Resources (《人類遺傳資源管理條例實施細則》) (the "Implementation Rules for HGR"), which came into effect on July 1, 2023. The Implementation Rules for HGR further provide detailed implementation regulations for the Administration of Human Genetic Resources of the PRC, such as:

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

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

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

- Further improving the clarity and efficiency of the administration of human genetic resources, for example, clarifying the method for the calculation of illegal gains and providing detailed exemptions on certain matters that are subject to approval.

New Drug Application

Pursuant to the Measures for the Administration of Drug Registration, after completing the pharmaceutical research, pharmacological and toxicological research, clinical drug trials, and other researches supporting the marketing registration of a drug, an applicant must determine the quality standards, verify the commercial large-scale production process, and prepare for the acceptance of drug registration inspections and examinations. The applicant should then file an application with the NMPA for drug marketing authorisation and submit the relevant research materials in accordance with the application requirements. If the application materials meet the formal requirements, the application will be accepted. In cases where the

drug is generic, an in vitro diagnostic reagent managed as a drug, or another eligible circumstance where the applicant deems it unnecessary or impossible to conduct clinical drug trials, the applicant may directly file an application for drug marketing authorisation. The technical guidelines and specific requirements for exempting clinical drug trials will be developed and announced by the CDE.

The CDE shall organize pharmaceutical, medical and other technical personnel to evaluate accepted applications for drug marketing authorisation. If the comprehensive evaluation concludes positively, the drug will be approved for marketing, and a drug registration certificate will be issued. If the comprehensive evaluation is negative, a disapproval decision will be made. The drug registration certificate will specify the drug approval number, the holder, the manufacturer, and other relevant information. For OTC drugs, the certificate will also indicate the type of OTC drug.

Drug registration inspection involves verifying the authenticity and consistency of application materials and the commercial production conditions at development and production sites. It includes examining the compliance of drug development and the reliability of data. If necessary, the inspection may be extended to manufacturers, suppliers, or other entrusted institutions responsible for chemical APIs, excipients, and packaging materials that directly contact the drug.

The CDE will decide whether to conduct on-site inspections of drug registration development based on the degree of drug innovation, risks involved and previous inspections of drug research institutions. The decision to conduct production site inspections will depend on factors such as the type of drug, the production process, facility and prior inspection history. For innovative drugs, new modified drugs and biological products, production site inspections and pre-marketing examinations for compliance with drug production quality management standards are mandatory. For generic drugs, these inspections will be conducted based on risks involved, considering whether a drug production license for the relevant scope has been obtained and whether a similar dosage form has been marketed.

After an application for drug registration is accepted, the CDE will conduct a preliminary examination within 40 days of acceptance, notify the CDFI to organise this inspection and provide the relevant materials required for inspection. If a production site inspection is required, the CDE will simultaneously notify the applicant and the medical products administrative department of the relevant province, autonomous region or municipality. The CFDI is expected to complete the inspection 40 days before the inspection deadline, reporting the inspection details, results, and other relevant materials to the CDE.

Drug registration examination includes both standard review and sample examination. Standard review involves a laboratory assessment of the scientific validity of the items specified in the drug standards, the feasibility of the test methods, and the appropriateness of quality control indicators, among other factors. Sample examination refers to the laboratory testing conducted on samples according to the applicant's request or based on the drug quality standards verified by the CDE. The review period for a drug marketing authorisation

application is 200 days. Within this timeframe, the review period for prioritised review and approval procedures is 130 days, and for clinically urgent, overseas-marketed drugs for rare diseases, the review period is 70 days.

The following durations shall be excluded from the relevant work period: (i) the time taken for the applicant to provide supplementary materials, make corrections upon examination, and verify manufacturing processes, quality standards and literature as required; (ii) any delays in examination or inspection due to reasons attributable to the applicant, including the time taken to organise expert advisory meetings; (iii) the duration of any suspension of review and approval procedures in accordance with legal and regulatory provisions; and (iv) the time taken for overseas examination, if such an examination is required.

Generic Drugs Registration

Clinical trials regarding the generic drugs are required to be conducted in accordance with the Measures for the Administration of Drug Registration. According to the Measures for the Administration of Drug Registration, where a generic drug or any other eligible circumstance assessed by an Applicant to be unnecessary or impossible for conducting clinical drug trial and meeting the conditions for exempting clinical drug trial, the applicant may directly file an application for drug marketing authorization. A generic drug shall be consistent with the quality and efficacy of the reference preparation. An applicant shall apply mutatis mutandis to the relevant technical guiding principles, select reasonable reference preparations. According to the Circular on Implementation of Record-filing Management of Bioequivalence Trials of Chemical Drug (《關於化學藥生物等效性試驗實行備案管理的公告》), the management of bioequivalence trials of chemical drug has been changed from examination and approval to record-filing. If a generic drug researched and developed bases on the marketed reference preparation, such reference preparation should be the innovator drug and this generic drug should complete the bioequivalence trial filing. In addition, this generic drug's active ingredients, the route of administration, the dosage form, as well as the specification of the drug should be consistent with the reference preparation. The NMPA shall conduct analysis and technical evaluation of the record-filing materials submitted by an applicant for registration. Where the record-filing materials have obvious defects or high safety risks, the NMPA shall notify the applicant in a timely manner and terminate the bioequivalence trial.

LAWS AND REGULATIONS IN RELATION TO DRUG MANUFACTURING ENTERPRISE AND DRUG MANUFACTURING

Drug Manufacturing License

According to the PRC Drug Administration Law, which was promulgated by the SCNPC in September 1984 and last amended in August 2019, a drug manufacturing enterprise is required to obtain a Drug Manufacturing Licence from the relevant provincial counterpart of the NMPA. According to the Measures for the Supervision and Administration of Drugs, which was promulgated by the CFDA on 5 August 2004 and last amended on 22 January 2020, a Drug

Manufacturing Licence is valid for five (5) years. It may be renewed if the holder makes an application at least six (6) months before its expiration and receives approval from the provincial counterpart of the NMPA that originally issued the licence.

Good Manufacturing Practice (the "GMP")

Prior to December 1, 2019, in accordance with the provisions of the Administrative Measures for the Certification of Good Manufacturing Practices issued by the CFDA in August 2011, which have been repealed, the establishment of a new drug manufacturer, construction of new production premise for a drug manufacturer or production of new dosage form are required to submit application for good manufacturing practice certification (GMP certification) with the drug regulatory authority in accordance with relevant provisions. If the Good Manufacturing Practices are satisfied, a GMP certificate will be issued. Pursuant to the Announcement on the Relevant Issues Concerning the Implementation of the Drug Administration Law of the PRC (《關於貫徹實施<中華人民共和國藥品管理法>有關事項的公告》), promulgated by the NMPA on November 29, 2019, and the Drug Administration Law, the GMP and Good Supply Practice (GSP) certifications have been cancelled, applications for GMP and GSP certifications are no longer accepted, and GMP and GSP certificates are no longer issued. When engaging in drug manufacturing activities, a manufacturer shall comply with the GMP and establish a sound GMP management system, to ensure that the entire process of drug manufacturing maintain to meet the statutory requirements, and meet the GMP requirements enacted by the drug regulatory authority under the State Council in accordance with the law. The legal representative of and principal person in charge of a drug manufacturer are fully responsible for the drug manufacturing activities of the enterprise.

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

Contract Manufacturing of Drugs

Pursuant to the Administrative Regulations for the Contract Manufacturing of Drugs, which was issued by the NMPA in August 2014, a drug manufacturer in China that holds a drug marketing authorisation but temporarily lacks manufacturing conditions due to technology upgrades or insufficient manufacturing capabilities can entrust the production of that drug to another drug manufacturer in China. Such contract manufacturing arrangements require approval by the provincial branch of the NMPA. The Administrative Regulations for the Contract Manufacturing of Drugs prohibit the contract manufacturing of certain special drugs, including but not limited to narcotic drugs, psychoactive drugs, biochemical drugs and APIs.

The PRC Drug Administration Law specifies that the DMA Holders may either produce drugs themselves or entrust their production to other drug manufacturers. DMA Holders and the commissioned manufacturers must enter into an entrustment agreement and a quality agreement, and they are required to strictly fulfill the obligations under these agreements. Certain drugs, including blood products, anesthetics, psychotropic pharmaceuticals, toxic pharmaceuticals for medical treatment and pharmaceutical precursor chemicals, may not be produced through entrustment, unless otherwise prescribed by the drug supervision and administration department of the State Council.

The Measures for the Supervision and Administration of Drugs further implement the drug marketing authorisation holder system as stipulated in the PRC Drug Administration Law. DMA Holders who entrust others to manufacture preparations must enter into an entrustment agreement and a quality agreement with a qualified drug manufacturing enterprise. They must submit these agreements, along with the actual manufacturing site application materials, to the competent drug administrative authority to apply for a Drug Manufacturing Licence.

LAWS AND REGULATIONS IN RELATION 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.

Drug Price

Pursuant to the PRC Drug Administration Law, for drug products with market-regulated prices, the DMA holder, the drug manufacturer, the drug distributor and medical institution shall set prices based on principles of fairness, reasonableness, integrity and trustworthiness, ensuring quality for value. This is intended to provide drug users with reasonably priced products. These entities must also comply with drug price administration requirements issued by the State Council's pricing authorities, determining and clearly marking the retail prices of drug products. Pursuant to the Opinions on Promoting Drug Price Reform (《推進藥品價格改革意見》), which were jointly promulgated by NDRC, the National Health and Family Planning Commission, the Ministry of Human Resources and Social Security of the PRC (the "MOHRSS"), the MIIT, the Ministry of Finance of the PRC, the MOFCOM and the CFDA and became effective in May 2015, the PRC government will no longer set drug prices, except for narcotic drugs and first-class psychotropic drugs.

OTHER LAWS AND REGULATIONS IN RELATION TO MEDICAL INDUSTRY

Coverage of the National Medical Insurance Program

The national medical insurance program was first adopted under the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《國務院關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on 14 December 1998. This program requires all employers in urban cities to enroll their employees in the basic medical insurance program, with insurance premiums jointly contributed by the employers and employees. On 10 July 2007, the State Council issued the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》), which expanded the program's coverage to include urban residents in the pilot districts, allowing them to voluntarily join urban resident basic medical insurance. In addition, on 3 January 2016, the State Council issued the Opinions of the State Council on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》), requiring the integration of the urban resident basic medical insurance and the new rural cooperative medical care system. This integration established a unified basic medical insurance system covering all urban and rural residents, except for rural migrant workers and individuals in flexible employment arrangements who participate in the basic medical insurance for urban employees.

National Essential Drug List

On 18 August 2009, the Ministry of Health of the PRC and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National Essential Drug List (the "NEDL") (《國家基本藥物目錄管理辦法(暫行)》), which was amended on 13 February 2015, along with the Guidelines on the Implementation of the National Essential Drug List System (《關於建立國家基本藥物制度的實施意見》). On September 13, 2018, the General Office of the State Council further issued the Opinions of the General Office of the State Council on Improving the National Essential Drug System (《國

務院辦公廳關於完善國家基本藥物制度的意見》). These measures and guidelines aim to promote the sale of essential medicines at fair prices in the PRC and ensure equal access to the drugs listed in the NEDL for the general public in the PRC. On 30 September 2018, the NHC promulgated the NEDL (2018 edition) (《國家基本藥物目錄(2018年版)》), replacing the NEDL (2012 edition) (《國家基本藥物目錄(2012年版)》) which was promulgated on 31 March 2013. According to these regulations, basic healthcare institutions funded by the PRC government are required to store and use drugs listed in NEDL. The drugs listed in NEDL shall be purchased by centralised tender process and subject to price adjustments by the NDRC. All remedial drugs in the NEDL are listed in the NRDL and the entire purchase price of such drugs is entitled to reimbursement.

Medical Insurance Catalog

According to the Interim Measures for the Administration of Use of Drugs Covered by the Basic Medical Insurance (《基本醫療保險用藥管理暫行辦法》) or the NRDL Administrative Measures, which promulgated by the NHSA, on July 30, 2020 and took effect on September 1, 2020, the scope of drugs covered by the basic medical insurance shall be administered through a reimbursement drug list.

The NRDL, which promulgated by the NHSA and the Ministry of Human Resources and Social Security and took effect on November 27, 2024, sets forth the payment standard for pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance funds. The local government shall strictly implement the NRDL and shall not adjust the contents contained in the NRDL at their own discretion. Medicines listed in the NRDL are divided into two parts, List A and List B. List A drugs are widely used clinical treatments with good efficacy and lower prices compared to similar drugs, while List B drugs are clinical treatments with good efficacy and slightly higher prices compared to List A drugs.

According to the NRDL Administrative Measures, a Provincial Reimbursement Drug List ("PRDL") must be made by the provincial healthcare security authorities. Patients purchasing List A drugs can directly obtain reimbursement under the basic medical insurance program. Patients purchasing List B drugs shall pay a certain percentage of the purchase price first and then obtain reimbursement under the basic medical insurance program.

Two Invoice System

On 26 December 2016, eight (8) government authorities, including the SFDA, jointly issued the Notice on Issuing the Implementing Opinions on Promoting the "Dual Invoicing System" for the Drug Procurement by Public Medical Institutions (for trial Implementation) ("《印發<關於在公立醫療機構藥品採購中推行'兩票制'的實施意見(試行)>的通知》") (the "Implementation Notice"). The Implementation Notice defines the "Two-Invoice System" as one invoice issued by a drug manufacturer to a distributor, and another invoice issued by the distributor to a medical institution. The Implementation Notice clarifies that the "Two-Invoice

System" shall be gradually implemented in the procurement of drugs by public medical institutions, with other medical institutions encouraged to adopt the system, aiming for nationwide implementation by 2018.

On 5 March 2018, six (6) government authorities, including the NHC, jointly issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening the Comprehensive Reform of Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), requiring the implementation of volume-based procurement of high-value medical consumables and the gradual implementation of the "Two-Invoice System" for the purchase and sales of these medical consumables.

On 19 July 2019, the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《關於印發<治理高值醫用耗材改革方案>的通知》), which encourages local governments to reduce the circulation of high-value medical consumables and to promote the openness and transparency of purchase and sales through the "Two-Invoice System" and other means. According to the Reply of the National Healthcare Security Administration on Proposal No. 1209 of the Second Session of the 13th National People's Congress (《國家醫療保障局對十三屆全國人大二次會議第1209號建議的答覆》) issued by NHSA on 23 July 2019, due to the significant differences between high-value consumables and pharmaceuticals, as well as the complexity of their clinical use and after-sales services, further study is needed on the application of the 'Two-Invoice System' to high-value consumables.

Volume-based Procurement Scheme and Bidding Process

On 20 May 2024, the NHSA published the Notice of the National Healthcare Security Administration on Further Promotion of the Experience of Medical Reform in Sanming City and to Continuously Promote the Innovative Development of Medical Insurance (Yibaohan [2024] No. 25) (《國家醫療保障局關於進一步推廣三明醫改經驗持續推動醫保工作創新發展的通知》(醫保函[2024]25號)), providing guidance on volume-based procurement practices, aiming to aggressively promote the volume-based procurement of drugs and high-value medical consumables organized by national authorities. It emphasises the need to strengthen coordination among regions, guide and promote local governments to conduct volume-based procurement in a regulated manner, and support the targeted expansion of the range of drugs and medical consumables under the volume-based procurement scheme. This expansion is to be led by willing and responsible provinces, with the participation of all provinces. The notice aims to establish a new pattern of volume-based procurement, where the provinces organise the volume-based procurement of drugs and high-value medical supplies, the national alliance, led by provinces, acts as the main body, and provincial-level centralised procurement serves as a supplement.

On 14 May 2024, the National Healthcare Security Administration published the Notice of the National Healthcare Security Administration on Strengthening Regional Coordination to Improve the Quality and Coverage of Volume-based Procurement of Pharmaceuticals in 2024 (Yibaobanfa [2024] No. 8) (《國家醫療保障局辦公室關於加強區域協同做好2024年醫藥集中採購提質擴面的通知》(醫保辦法[2024]8號)), aiming to improve the centralised pharmaceutical procurement system, promote the quality and coverage of centralized VBP, and further enhance the capacity and scale of local procurement alliances. The goal is to achieve linkage and coordinated progress at the national and local levels, including but not limited to the following:

I. Expanding the Scope of the Alliance and Forming a National Alliance for Centralised Procurement

The National VBP initiative will be conducted by the Joint Procurement Office for both drugs and consumables, with all provinces required to participate and actively implement these schemes. Provincial VBP efforts will enhance coordination at the national level and, when certain conditions are met, will be integrated into a national alliance for centralised procurement (the "National Alliance VBP").

Lead provinces are responsible for strengthening communication and coordination with the NHSA, inviting all provinces to join the formation of the National Alliance VBP. The NHSA will oversee and guide the National Alliance VBP, coordinating expert support and improving the standardization of work processes. Lead provinces should leverage their experience with national and local VBPs to conduct thorough investigations, gather opinions and suggestions from various stakeholders, and develop targeted procurement rules tailored to product features. These provinces are also tasked with organising procurement in a standardised manner.

All provinces are expected to participate in the National Alliance VBP, actively contribute ideas, monitor and manage the execution of VBP, and maximize its value. For key aspects such as quantity management, adherence to agreed VBP volumes, price management of non-selected products, and network suspension, it is essential to maintain a unified approach consistent with the lead provinces to avoid "negligence" and "non-compliance" in policy implementation.

The National Alliance VBP must treat all business entities fairly and must not impose discriminatory rules based on factors such as enterprise ownership, registration location, scale, or domestic versus foreign investment. It is crucial to strictly prevent "local protectionism."

II. Strengthening Overall Planning and Coordination, and Reasonably

The NHSA will strengthen overall coordination in the selection of VBP varieties, aiming to expand the scope while reducing overlap between national and local VBPs, ensuring that they complement each other. The National VBP for drugs will focus on those that have undergone evaluations for consistency in quality and efficacy. Meanwhile, the National VBP for high-value medical consumables will target items with high prices, significant representation and widespread public demand.

Provinces that meet the relevant conditions are encouraged to take the lead in implementing the National Alliance VBP. This will focus on chemical drugs, proprietary Chinese medicines and Chinese herbal decoction pieces that have not yet been evaluated for consistency, as well as "major drugs" used clinically that have large purchase volumes and a broad patient base. Additionally, drugs and consumables that can be substituted or are related to the clinical use of VBP drugs will be included. Each province should conduct targeted procurement based on the characteristics and cost structure of pharmaceutical consumables in their region, the operation of healthcare funds, and the needs arising from the centralised efforts to combat corruption in the pharmaceutical sector.

In accordance with the Notice of the Office of the National Healthcare Security Administration on the Renewal of Efforts Following the Expiration of the National Organization's Volume-Based Procurement Agreement (《國家醫療保障局辦公室關於做好國家組織藥品集中帶量採購協議期滿後接續工作的通知》), alongside other pertinent regulations and policies, the formulation of the renewal of VBP falls under the purview of individual provinces or inter-provincial alliances. As of the Latest Practicable Date, there is no unified approach for the renewal of VBP agreement in the PRC, primarily relying on provincial alliances or individual province to announce the subsequent policies of the renewal of national drug VBP. Taking the "Jiangsu Alliance" (江蘇聯盟) (comprising Jiangsu and 10 other provinces) and the "Henan Alliance" (河南聯盟) (including Henan and 20 other provinces) as examples, the formulations of the renewal of VBP of the Jiangsu Alliance and the Henan Alliance are outlined as follows:

The Jiangsu Alliance issued the Renewal Procurement Announcement (I) of the Jiangsu Alliance 4-5 Batches of National Organization Drug Volume-Based Procurement Agreed Expiration Varieties (《第4-5批國家組織藥品集中採購協議期滿品種江蘇聯盟接續採購公告(一)》) on September 4, 2024, and in the subsequent release of relevant announcements, the main provisions of the renewal of the Jiangsu Alliance VBP are outlined as follows: (i) procurement cycle: the procurement cycle of the renewal of VBP starts from the execution of the successful selection result and ends on December 31, 2025, and may be extended in the later period as appropriate; (ii) proposed selection rules: according to the last round selected price of the renewal varieties of VBP, the selected enterprises shall be determined by bidding method or inquiry method respectively; (iii) allocation of purchase quantity: ① Allocation of priority quantity. The top 50% enterprises with the selected price from low to high will be given priority for the intended purchase quantity reported by medical institutions; ② Allocation of remaining quantity. The quantity of intended purchase reported by the medical institution for the unselected enterprises and the remaining selected enterprises shall be taken as the remaining quantity, which shall be allocated by the medical institution in combination with clinical needs to the selected products of the same variety with high quality and good price. But the top 20% enterprises with the selected price ranking from high to low (except the enterprises with the selected price not higher than 1.3 times the lowest selected price of the same variety), shall not obtain the quantity exceed 70 percent of the intended purchase quantity reported by the medical institution.

The Henan Alliance issued the Procurement Announcement (I) of 21 Provinces (Autonomous Regions, Municipalities, and Xinjiang Production and Construction Corps) Drug Alliance (《二十一省(區、市、兵團)藥品聯盟採購公告(一)》) on November 1, 2024, and in the subsequent release of relevant announcements, outlining the participating provinces, drug varieties, registration criteria, and other pertinent details for the renewal of the Henan Alliance VBP. However, the procurement methodology, proposed selection rules and allocation of purchase quantity and other details of the renewal of VBP have yet to be disclosed.

LAWS AND REGULATIONS IN RELATION 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.

LAWS AND REGULATIONS IN RELATION TO ANTI-BRIBERY

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by SCNPC, as amended and effective as of April 23, 2019, and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) promulgated by the 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 ON ENVIRONMENT PROTECTION AND WORK SAFETY

Environmental Protection Law

Pursuant to the Environmental Protection Law 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 ON 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.

LAWS AND REGULATIONS IN RELATION 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 (《電腦軟體保護條例》) 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.

LAWS AND REGULATIONS IN RELATION 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 IN RELATION TO FOREIGN INVESTMENT

Company Law

Companies established and businesses operating in the PRC are subject to the PRC Company Law, which was promulgated by the SCNPC on 29 December 1993, was last amended on 29 December 2023 and which became effective on 1 July 2024. The PRC Company Law, regulated by SAMR, MOFCOM, and their local counterparts, provides general regulations for companies' set up and operation in the PRC including the FIEs. Unless otherwise provided in the PRC Foreign Investment Law, the provisions in the PRC Company Law shall prevail.

In accordance with the PRC Company Law, the company is required to make appropriation to the company's statutory reserve. At least 10% of the statutory after-tax profits must be allocated to the company's statutory reserve until the cumulative total of the company's statutory reserve reaches 50% of the company's registered capital. The company's statutory reserve may be used to offset any accumulated losses or increase the registered capital. The company's statutory reserve is not available for dividend distribution to shareholders.

Foreign Investment Law

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation, and labour matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law, which was promulgated by the SCNPC on 12 April 1986, last amended on 3 September 2016, became effective on 1 October 2016 and expired along with the Foreign Investment Law came into force. Foreign Investment Law, which was promulgated by the National People's Congress of the PRC on 15 March 2019, and became effective on 1 January 2020, repealed simultaneously the Wholly Foreign-owned Enterprise Law, Sino-foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法》), Sino-foreign Cooperative Joint Ventures Law of the PRC (《中華人民共和國中外合作經營企業法》), and their respective implementations. FIEs established prior to the Foreign Investment Law in accordance with the aforesaid laws may retain their original business forms for five (5) years after the Foreign Investment Law comes into force. The term "foreign investments", according to the Foreign

Investment Law, refers to investment activities within the PRC directly or indirectly conducted by foreign natural persons, enterprises, or other organisations (the "**foreign investors**"), including the following circumstances: (i) a foreign investor, alone or jointly with any other investors, forms a foreign-invested companies within the PRC; (ii) a foreign investor acquires any shares, equities, portion of property, or other similar interests in a PRC domestic enterprise; (iii) a foreign investor, alone or jointly with any other investors, invests in any new PRC domestic project; and (iv) the investments in any other manner as specified by laws, administrative regulations or provisions regulated by the State Council. The Foreign Investment Law stipulates that the PRC implements system of pre-establishment national treatment and negative list foreign investment. The negative list, which would be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field prohibited from foreign investment under the negative list. A foreign investor shall meet the investment conditions stipulated under the negative list for any restricted fields under the negative list. For fields not mentioned in such negative list, there shall be equal treatment of domestic and foreign investments. Foreign-invested enterprises can raise funds through public issuance of stocks, corporate bonds, and other securities in accordance with the law.

REGULATIONS ON CYBER SECURITY AND DATA PROTECTION

On 10 June 2021, the SCNPC promulgated the PRC Data Security Law, 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, 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, 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, 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, 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, which became effective on 1 September 2022. The Security Assessment Measures provide that, among others, data processors shall apply to CAC for a security assessment if certain thresholds are met. In addition, on 24 February 2023, the Measures on Standard Contract were promulgated by the CAC, which became effective on 1 June 2023. The Measures on Standard Contract 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, 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 Health and Medical Care Big Data, which became effective on 12 July 2018. The Measures on 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 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 was promulgated by the State Council and came 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.

LAWS AND REGULATIONS IN RELATION TO LABOR PROTECTION

Labour Contract Law

The PRC Labour Contract Law (《中華人民共和國勞動合同法》), which was promulgated on 29 June 2007 and amended on 28 December 2012, is primarily aimed at regulating rights and obligations of employer and employee, including the establishment, performance, and termination of labour contracts. Pursuant to the PRC Labour Contract Law, regulated by the MOHRSS and its local counterparts, labour contracts shall be concluded in writing if labour relationships are to be or have been established between employers and employees. If an employee is a part-time labour, which is a form of labour for which the remuneration is mainly calculated on an hourly basis, and the employee's average daily working hours shall not exceed four (4) hours and the aggregate working hours per week shall not exceed twenty-four hours for the same employer. Both parties to part-time labour may conclude an oral agreement. Either party to part-time labour may notify the other party at any time to terminate employment. Upon termination of employment, the employer will not have to pay severance pay to the employee.

Employers are prohibited from forcing employees to work above certain time limits and employers shall pay employees for overtime work in accordance with national regulations. In addition, employee wages shall be no lower than local standards on minimum wages and must be paid to employees in a timely manner.

Interim Provisions on Labour Dispatch

Pursuant to the Interim Provisions on Labour Dispatch (《劳務派遣暫行規定》) promulgated and regulated by the MOHRSS on 24 January 2014 and became effective on 1 March 2014, dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are allowed to use dispatched workers for temporary, auxiliary, or substitutive positions, and the number of dispatched workers may not exceed 10% of the total number of employees. Pursuant to the PRC Labour Contract Law, if the employer violates the

relevant labour dispatch regulations, the labour administrative department shall order it to make corrections within a prescribed time limit; if it fails to make corrections within the time limit, penalty will be imposed on the basis of more than RMB5,000 and less than RMB10,000 per person.

Social Insurance and Housing Fund

As required under the Social Insurance Law, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on 14 December 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on 22 January 1999 and the Regulation of Insurance for Labour Injury (《工傷保險條例》) implemented on 1 January 2004 and amended in 2010, employers are required to provide their employees in the PRC with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance. These payments are made to local human resources and social security departments. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

In accordance with the Regulations on the Administration of Housing Funds which were promulgated by the State Council in 1999 and last amended in March 2019, employers must register at the designated housing fund administrative centres and open bank accounts for depositing employees' housing funds. Regulated by the MOHURD and its local housing fund administration centres, employer and employee are also required to pay and deposit housing funds, with an amount no less than 5% of the monthly average salary of each employee in the preceding year in full and on time.

Employee Stock Incentive Plan

Pursuant to the Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知》), which was issued by the SAFE on 15 February 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of a publicly-listed overseas company and who are PRC individuals or non-PRC individuals residing in China for a continuous period of no less than one (1) year, subject to a few exceptions, are required to register with the SAFE through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures.

In addition, the State Taxation Administration (the "STA"), has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in the PRC who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company are required to file documents related to employee stock options and restricted shares with relevant tax authorities and to withhold individual income taxes of employees who exercise their stock options or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC governmental authorities.

LAWS AND REGULATIONS IN RELATION TO TAX

Enterprise Income Tax

Pursuant to the EIT Law and the EIT Implementation Regulations, both resident enterprises and non-resident enterprises are subject to tax in the PRC, regulated by the STA 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 STA 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 STA, 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 STA 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

The history of our Group can be traced back to 2007 when Dr. LIANG and Dr. LI LI BOVET formed Jiangyin CF, being our Company's predecessor, and started carrying out R&D of inhalation drugs. The Company has become our holding company since 2013.

We have developed a product portfolio with a broad coverage of patients, medical specialties, and therapeutic areas. With decades of expertise in the pharmaceutical industry and specially, the respiratory diseases medicine and inhalation sector, Dr. LIANG and Dr. LI LI BOVET, our co-founders, bring their deep understanding of both the complexities and the potential of the inhalation market. For details of the biographies of Dr. LIANG and Dr. LI LI BOVET, see "Directors, Supervisors and Senior Management."

MILESTONES

The following table summarizes various key milestones in our corporate and business development.

Year	Milestone
2007	Jiangyin CF, our predecessor, was established to carry out R&D of inhalation drugs
2013	Our Company was established in the PRC as a limited liability company
2015	We commenced the R&D of CF018 in January
2017	We completed Series D Financing and introduced FIIF as our Pre-[**REDACTED**] Investor in August
2018	Our GW008 was acknowledged as a "National Innovative Drug Development Project" by the NHC in November
2019	We launched the phase III clinical trial of CF018 in China in January
2021	We obtained NMPA approval for CF017 in May, marking our first product approval, and CF017 was included in the first batch of VBP list for eight provinces in China in June We obtained the NMPA approval for CF036 in October, marking our first approved SABA product
2022	We obtained the NMPA approval for our CF018 in November

Year	Milestone
2023	Our CF018 was included in the NDRL list in December
	We obtained the NMPA approval for CF038 in September, marking our second approved SABA product
2024	We obtained the FDA approval for our GW006 in May, marking our first approved product in the United States
2025	We obtained the NMPA approval for our CF022 in January

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, we had the following subsidiaries which we regarded as our major subsidiaries in terms of financial contribution and/or strategic business development during the Track Record Period.

No.	Name of company	Place of establishment	Principal business activities	Shareholding controlled by our Company	Date of establishment
1. . . .	Jiangsu CF	PRC	Sales of respiratory products and medical devices, as well as R&D of inhalation preparation	100.0%	April 19, 2011
2. . . .	Wuxi CF	PRC	Inspection and testing services, as well as import and export of pharmaceutical products	100.0%	August 24, 2021
3. . . .	CF Hong Kong	Hong Kong	R&D of respiratory system related innovative drugs	100.0%	November 3, 2023
4. . . .	Guangzhou CF	PRC	R&D of respiratory system related innovative drugs	100.0%	April 23, 2024

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Predecessor of Our Company

In December 2007, Dr. LIANG, Dr. LI LI BOVET through her nominee, along with Jiangyin High-tech Venture Capital Co., Ltd. (江陰市高新技術創業投資有限公司) ("**Jiangyin Capital**"), a state-owned enterprise controlled by the State-owned Assets Supervision and Administration Office of the Jiangyin Municipal People's Government (江陰市人民政府國有

資產監督管理辦公室), set up Jiangyin CF in the PRC to engage in the business of R&D of inhalation drugs. Jiangyin CF was initially owned by Jiangyin Capital, Dr. LIANG and Ms. CHI Xiaoyu (an associate of Dr. LI LI BOVET) as to 49.0%, 25.5% and 25.5%, respectively, reflecting their respective subscribed investment amount of RMB735,000, RMB382,500 and RMB382,500.

In June 2009, for convenience of handling corporate filing related administrative affairs, Dr. LIANG, transferred his equity interests in Jiangyin CF to his nominee, Ms. WANG Wuda, an associate of Dr. LIANG. In November 2010, Jiangyin Capital divested its investment in Jiangyin CF by transferring its equity interests to Ms. WANG Wuda and Ms. CHI Xiaoyu for a total consideration of RMB838,745. This transaction was carried out pursuant to the equity transfer arrangements under the investment agreement, which reflected the pre-agreed terms of the "supportive shares (扶持股)" mechanism. Under this mechanism, all equity interests held by Jiangyin Capital in Jiangyin CF were supportive shares with no entitlement to receive any dividends or profit distributions and in exchange, Dr. LIANG was obligated to redeem all of Jiangyin Capital's equity interests in Jiangyin CF within four years, based on a fixed return formula linked to Jiangyin Capital's original investment. The consideration for the transfer was determined with reference to Jiangyin Capital's initial investment, adjusted for the holding period and value appreciation. Following by completion of the foregoing equity transfers, Jiangyin CF was owned by Ms. WANG Wuda and Ms. CHI Xiaoyu each as to 50.0%. For nominee shareholding arrangement in Jiangyin CF, see "— Corporate Development and Major Shareholding Changes of Our Company — Nominee Shareholding Arrangement" in this section.

Establishment of Our Company

Our Company was established in Suzhou, Jiangsu province, the PRC as a limited liability company on January 24, 2013 with an initial registered capital of US$800,000 under the name of Suzhou CF PharmTech Co., Ltd. (蘇州長風藥業有限公司), of which Dr. LIANG, Dr. LI LI BOVET and Jiangyin CF held 35.0%, 35.0% and 30.0%, respectively.

In January 2013, Jiangyin CF underwent enterprise restructuring. Following completion of a series of asset and equity transfers, the assets of Jiangyin CF were transferred to Jiangsu CF, which became our wholly-owned subsidiary on January 30, 2013. The Company has since then become our holding company. Jiangyin CF was later deregistered in June 2014. As confirmed by our PRC Legal Advisors, Jiangyin CF was not subject to any material administrative penalties, litigation or legal proceedings prior to its deregistration.

Early Major Financings

There had been series of capital increases from the establishment of our Group, among which, we brought in several investors to fuel our early development.

Series A Financing

In December 2010, Beijing SL Pharmaceutical Co., Ltd. (北京雙鷺藥業股份有限公司) ("**SL Pharmaceutical**") agreed to subscribed for an increase of RMB625,000 registered capital of Jiangyin CF at a consideration of RMB10,000,000 (the "**Series A Financing**"). Upon completion of the Series A Financing, Jiangyin CF was held by Ms. WANG Wuda as to 40%, Ms. CHI Xiaoyu as to 40% and SL Pharmaceutical as to 20%, respectively.

In March 2013, Jiangyin CF and SL Pharmaceutical entered into a capital reduction and equity swap agreement, pursuant to which, Jiangyin CF repurchased all its equity interests held by SL Pharmaceutical, and in consideration, Jiangyin CF transferred all equity interests in our Company held by it to SL Pharmaceutical.

Series B Financing and 2013 Capitalization

In April 2013, our Company, the then Shareholders, and several investors entered into an equity subscription agreement, pursuant to which, the investors agreed to subscribe for an increase of US$364,444 registered capital of our Company at a total consideration of RMB41,000,000 (the "**Series B Financing**"). Upon completion of the Series B Financing, our registered capital was increased to US$1,164,444.

The investors involved in the Series B Financing were Jilin National Biotech Industry Venture Capital Co., Ltd. (吉林省國家生物產業創業投資有限責任公司) ("**Jilin Capital**"), Beijing Galaxy Jixing Venture Capital Co., Ltd. (北京銀河吉星創業投資有限責任公司) ("**Jixing Capital**"), Shanghai Sihong Investment Partnership (Limited Partnership) (上海思宏投資合夥企業(有限合夥)) (currently known as Shanghai Sihongda Enterprise Management Consulting Partnership (Limited Partnership) (上海思宏達企業管理諮詢合夥企業(有限合夥))) ("**Shanghai Sihongda**"), Suzhou Kaifeng Wansheng Venture Capital Partnership (Limited Partnership) (蘇州凱風萬盛創業投資合夥企業(有限合夥)) ("**Kaifeng Investment**"), Wuxi Jinfeng Lingheng Investment Enterprise (Limited Partnership) (無錫金峰凌恆投資企業(有限合夥)) ("**Jinfeng Lingheng**") and Mr. GUO Baiping.

On August 6, 2013, our Board passed a resolution to capitalize US$6,209,106 from the capital reserve and distribute it to our then existing Shareholders on a *pro rata* basis as an increase in registered capital (the "**2013 Capitalization**"). Upon completion, our registered capital was increased to US$7,373,550.

Series B+ Financing

In September 2013, our Company, the then Shareholders and China-Singapore Suzhou Industrial Park Venture Co., Ltd. (中新蘇州工業園區創業投資有限公司) ("**China-Singapore Ventures**") entered into an equity subscription agreement, pursuant to which, China-Singapore Ventures agreed to subscribe for an increase of US$506,580 registered capital of our Company at a consideration of RMB9,000,000 (the "**Series B+ Financing**"). Upon completion of the Series B+ Financing, our registered capital was increased to US$7,880,130.

Series C Financing

From February 2015 to May 2015, our Company, the then Shareholders and several investors entered into an equity subscription agreement and a supplementary subscription agreement, pursuant to which, the investors agreed to subscribe for an increase of US$1,792,513 registered capital of our Company at a total consideration of RMB59,142,878.35 (the "**Series C Financing**"). Upon completion of the Series C Financing, our registered capital was increased to US$9,672,643.

The investors involved in the Series C Financing were Wuhu Ruiye Phase II Equity Investment Fund (Limited Partnership) (蕪湖瑞業二期股權投資基金(有限合夥)) ("**Ruiye Fund**"), Shanghai Jinshahe Equity Investment Enterprise (Limited Partnership) (上海金沙河股權投資企業(有限合夥)) (currently known as Shanghai Jinshahe Venture Capital Partnership (Limited Partnership) (上海金沙河創業投資合夥企業(有限合夥))) ("**GP Healthcare Capital Phase I**"), Kaifeng Investment and Jinfeng Lingheng.

For further details of the foregoing major financings, see "— Pre-[**REDACTED**] Investments" in this section.

Conversion into a Joint Stock Company and Subsequent Major Shareholding Changes

Conversion into a Joint Stock Company

On March 15, 2016, the then existing Shareholders entered into a promoters' agreement, approving, amongst other matters, the conversion of our Company from a limited liability company into a joint stock company. On March 16, 2016, our Company convened the inaugural meeting and our first general meeting, and passed related resolutions approving the conversion into a joint stock company, the then Articles of Association and other relevant procedures. On June 8, 2016, we obtained a new business license and were converted into a joint stock company with limited liabilities with 61,351,994 Shares in a nominal value of RMB1.0 each, with the name changed to "CF PharmTech, Inc. (長風藥業股份有限公司)" and the unit of calculation for the registered capital changed from USD to RMB.

2017 ESOP Issue

In April 2017, to implement the Employee Incentive Scheme, our Company allotted 2,320,215 Shares to Suzhou Minmei (the "**2017 ESOP Issue**"). Due to the difference between the then expected valuation of our Company at the time of the 2017 ESOP Issue and the actual valuation of the Company during the coming round of Pre-[**REDACTED**] Investment (i.e. Series D Financing as defined below), in July 2017, the parties agreed to increase the percentage of Shares issued to each of the promoters (excluding Suzhou Pyramid, Suzhou Meizhongrui and Suhou Minmei) by an additional approximately 0.26%, at nil consideration (the "**Downward Adjustment**") for the purpose of compensating the adjustment of valuation of our Company. As such, 2,229,814 Shares were eventually allotted to Suzhou Minmei.

Along with the development and expansion of the business of our Group, we further completed multiple capital increases and Share transfers, from the joint stock company conversion to December 31, 2020, among which, the major financings of our Company are set out as below.

Series D Financing

In August 2017, our Company, the then Shareholders and several investors entered into a share subscription agreement, pursuant to which, the investors agreed to subscribe for 33,339,689 Shares at a total consideration of RMB434,600,000 (the "**Series D Financing**"). Upon completion of the Series D Financing, our registered capital was increased to RMB97,011,898.

The investors involved in the Series D Financing were FIIF, Wuxi Lejin Fengyun Investment Enterprise (Limited Partnership) (無錫樂金風雲投資企業(有限合夥)) ("**Wuxi Lejin**"), Suzhou Wosheng Enterprise Management Center (Limited Partnership) (蘇州沃昇企業管理中心(有限合夥)) ("**Suzhou Wosheng**"), CCB International Industrial Fund Management (Hengqin) Co., Ltd. (建銀國際產業基金管理(橫琴)有限公司) (currently known as CCB International Industrial Investment (Zhuhai) Co., Ltd. (建銀國際產業投資(珠海)有限公司)) ("**CCBI Investment**"), Ningbo Meishan Free Trade Port Shenhuateng No. 20 Equity Investment Center (Limited Partnership) (寧波梅山保稅港區深華騰二十號股權投資中心(有限合夥)) ("**Shenhuateng Investment**"), Shenzhen Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership) (深圳前海元明醫療產業投資基金(有限合夥)) ("**Yuanming Capital**"), Zhuhai Longmen Changfeng Investment Partnership (Limited Partnership) (珠海隆門長風投資合夥企業(有限合夥)) ("**Longmen Changfeng**"), Shanghai Jianli Investment Partnership (Limited Partnership) (上海簡理投資合夥企業(有限合夥)) ("**Shanghai Jianli**"), Beijing Xinding Rongsheng Capital Management Co., Ltd. (北京新鼎榮盛資本管理有限公司) ("**Xinding Rongsheng**"), Ningbo Meishan Free Trade Port Xinfei Dingke Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區新菲鼎柯投資管理合夥企業(有限合夥)) ("**Xinfei Dingke**") and Suzhou Meimin Enterprise Management Center (Limited Partnership) (蘇州美閩企業管理中心(有限合夥)) ("**Meimin Investment**").

2019 ESOP Issue

In December 2019, to expand the pool of the Employee Incentive Scheme, we allotted 3,395,416 Shares to Suzhou Minmei (the "**2019 ESOP Issue**"). Upon the completion of the 2019 ESOP Issue, our registered capital was increased to RMB100,407,314.

Series E Financing

In December 2019, our Company, the then Shareholders and several investors entered into a share subscription agreement, pursuant to which, the investors agreed to subscribe for 22,340,629 Shares at a total consideration of RMB445,000,000 (the "**Series E Financing**"). Upon completion of the Series E Financing, our registered capital was increased to RMB122,747,943.

The investors involved in the Series E Financing were Shanghai Lianyi Investment Center (Limited Partnership) (上海聯一投資中心(有限合夥)) ("**Lianyi Investment**"), Unique Classic Limited, Yantai Duoying New Kinetic Energy Investment Center (Limited Partnership) (煙台多盈新動能投資中心(有限合夥)) ("**Yantai Duoying**"), Qingdao Finnova Energy Conservation and Environmental Protection Venture Investment Fund Partnership (Limited Partnership) (青島源創節能環保創業投資基金合夥企業(有限合夥)) ("**Qingdao Finnova**", together with Yantai Duoying, "**Finnova Funds**"), Anhui Xin'an Cornerstone Industry Upgrade Fund Partnership (Limited Partnership) (安徽信安基石產業升級基金合夥企業(有限合夥)) ("**Cornerstone Fund**"), Shenzhen GTJA Ruipeng Investment Partnership (Limited Partnership) (深圳市高特佳睿鵬投資合夥企業(有限合夥)) ("**Shenzhen GTJA**"), Suzhou Longmen No. 1 Pharmaceutical Investment Partnership (Limited Partnership) (蘇州隆門一號醫藥投資合夥企業(有限合夥)) ("**Longmen No. 1**"), Suzhou Longmen No. 5 Pharmaceutical Investment Partnership (Limited Partnership) (蘇州隆門五號醫藥投資合夥企業(有限合夥)) ("**Longmen No. 5**"), Jiangsu CMB Modern Industry Equity Investment Fund Phase I (Limited Partnership) (江蘇招銀現代產業股權投資基金一期(有限合夥)) ("**Jiangsu CMB**"), Nanjing CMB Gongying Equity Investment Partnership Enterprise (Limited Partnership) (南京市招銀共贏股權投資合夥企業(有限合夥)) ("**Nanjing CMB**", together with Jiangsu CMB, "**CMB Funds**") and Suzhou Mengxi Venture Investment Center (Limited Partnership) (蘇州孟溪創業投資中心(有限合夥)) ("**Mengxi Venture**").

Series E+ Financing

In April 2020, our Company, the then Shareholders and several investors entered into a share subscription agreement, pursuant to which, the investors agreed to subscribe for 3,012,220 Shares at a total consideration of RMB60,000,000 (the "**Series E+ Financing**"). Upon completion of the Series E+ Financing, our registered capital was increased to RMB125,760,163.

The investors involved in the Series E+ Financing were China-Singapore Ventures and Jiangsu Jiequan Oriza Intellectual Property Science and Technology Innovation Fund (Limited Partnership) (江蘇聿泉元禾知識產權科創基金(有限合夥)) ("**Jiequan Oriza**", together with China-Singapore Ventures, "**Oriza Funds**").

2020 First ESOP Issue

In June 2020, to further expand the pool of the Employee Incentive Scheme, we allotted 4,401,606 Shares to Suzhou Wolun (the "**2020 First ESOP Issue**"). Upon the completion of 2020 First ESOP Issue, our registered capital was increased to RMB130,161,769.

Series F Financing

In June 2020, our Company, the then Shareholders and several investors entered into a share subscription agreement, pursuant to which, the investors agreed to subscribe for 16,275,983 Shares at a total consideration of RMB353,000,000 (the "**Series F Financing**"). Upon completion of the Series F Financing, our registered capital was increased to RMB146,437,752.

The investors involved in the Series F Financing were Chengdu Boyuan Jiayu Venture Capital Partnership (Limited Partnership) (成都博遠嘉昱創業投資合夥企業(有限合夥)) ("**Boyuan Venture**"), CICC Qide (Xiamen) Innovation Biomedical Equity Investment Fund Partnership (Limited Partnership) (中金啟德(廈門)創新生物醫藥股權投資基金合夥企業(有限合夥)) (currently known as CICC Biomedical Fund L.P. (中金啟德(廈門)創新生物醫藥創業投資合夥企業(有限合夥))) ("**CICC Biomedical Fund**"), Shanghai Yangtze River Delta Industry Upgrade Equity Investment Partnership (Limited Partnership) (上海長三角產業升級股權投資合夥企業(有限合夥)) ("**Yangtze River Delta Fund**"), CICC Generation (Suzhou) Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (中金啟辰(蘇州)新興產業股權投資基金合夥企業 (有限合夥)) ("**CICC Generation Fund**"), Shenzhen Qianhai Kangda Science and Technology Venture Investment Partnership (Limited Partnership) (深圳前海康達科技創業投資合夥企業(有限合夥)) ("**Qianhai Kangda**"), Pingtan Comprehensive Experimental Zone Watson Huijia Equity Investment Partnership (Limited Partnership) (平潭綜合實驗區沃生慧嘉股權投資合夥企業(有限合夥)) ("**Wosheng Huijia**"), Guangzhou Xinxing Venture Capital Partnership (Limited Partnership) (廣州新星創業投資合夥企業(有限合夥)) (currently known as Guangzhou Xinxing Huacheng Venture Capital Partnership (Limited Partnership) (廣州新星花城創業投資合夥企業(有限合夥))) ("**Xinxing Venture**"), Guangzhou Zhiyuan Xinxing Equity Investment Partnership (Limited Partnership) (廣州致遠新星股權投資合夥企業(有限合夥)) ("**Zhiyuan Investment**"), Wuhu Taichu Investment Partnership (Limited Partnership) (蕪湖太初投資合夥企業(有限合夥)) ("**Taichu Investment**"), Changzhou Feijun Yongjun Equity Investment Partnership (Limited Partnership) (常州斐君永君股權投資合夥企業(有限合夥)) ("**Changzhou Yongjun**"), Guangzhou Huangpu Yongping Science and Technology Equity Investment Partnership (Limited Partnership) (廣州黃埔永平科創股權投資合夥企業(有限合夥)) ("**Guangzhou Yongping**"), Ms. SHEN Xiaohui (沈小蕙), Suzhou Shengyuan Enterprise Management Center (Limited Partnership) (蘇州晟源企業管理中心(有限合夥)) ("**Shengyuan Investment**") and Shanghai Jinpu Guotiao Merger Equity Investment Fund Partnership (Limited Partnership) (上海金浦國調併購股權投資基金合夥企業(有限合夥)) ("**Jinpu Merger Fund**").

2020 Second ESOP Issue

In August 2020, to further expand the pool of the Employee Incentive Scheme, we allotted 8,054,076 Shares to Suzhou Yuanchen (the "**2020 Second ESOP Issue**"). Upon the completion of 2020 Second ESOP Issue, our registered capital was increased to RMB154,491,828.

Capitalization Issue

On September 17, 2020, our Shareholders passed a resolution to capitalize RMB810,073,618.37 from our share premium reserve for the issuing of 216,288,559 Shares with a nominal value of RMB1.0 each to our then Shareholders at that time on a *pro rata* basis (the "**Capitalization Issue**"). Upon completion, the total issued Shares of our Company increased from 154,491,828 Shares to 370,780,387 Shares with a nominal value of RMB1.0 each.

For further details of the aforementioned major financings, see "— Pre-[**REDACTED**] Investments" in this section.

Major Equity Transfer and Share Transfers

Besides the capital injections, a number of investors had invested in our Company through acquisition of equity capital or Shares from our then existing Shareholders.

The following table sets our details of the major equity or share transfers by our then existing Shareholders.

Equity/Share Transfer	Transfer time	Transferer	Transferee	Number of Equity/Shares transferred[(1)]	Total Consideration
First Share Transfers . .	December 2017	Ruiye Fund	Shanghai Hanren Equity Investment Center (Limited Partnership) (上海漢仁股權投資中心(有限合夥)) ("**Shanghai Hanren**")	2,985,075 Shares	RMB40,000,000
	February 2018	Ruiye Fund	Shenzhen CMB Gongying Equity Investment Partnership Enterprise (Limited Partnership) (深圳市招銀共贏股權投資合夥企業(有限合夥)) ("**Shenzhen Gongying**")	164,179 Shares	RMB2,199,999
			Jiangsu CMB	3,169,768 Shares	RMB42,474,891

Equity/Share Transfer	Transfer time	Transferer	Transferee	Number of Equity/Shares transferred[(1)]	Total Consideration
	February 2018	Kaifeng Investment	Jiangsu CMB	767,136 Shares	RMB10,000,009
			Meimin Investment	1,308,469 Shares	RMB17,056,561
			Jiaxing Zhaoyang Xuanwu Phase III Investment Partnership (Limited Partnership) (嘉興昭陽玄武三期投資合夥企業(有限合夥)) ("**Jiaxing Zhaoyang**")	408,781 Shares	RMB5,328,669
Second Share Transfers . .	October 2018	Jilin Capital	China-Singapore Ventures	666,667 Shares	RMB10,000,000
			Meimin Investment	266,667 Shares	RMB4,000,000
			Suzhou Longmen Yusen Venture Capital Partnership (Limited Partnership) (蘇州隆門玉森創業投資合夥企業(有限合夥)) ("**Longmen Yusen**")	1,000,000 Shares	RMB15,000,000
			Jiangsu Jiequan GTJA Medical Industry Investment Fund (Limited Partnership) (江蘇聿泉高特佳醫療產業投資基金(有限合夥)) ("**Jiangsu GTJA**")	1,577,236 Shares	RMB23,658,550
	October 2018	Jixing Capital	Jiangsu GTJA	702,124 Shares	RMB10,531,860
	October 2018	Longmen Yusen	Meimin Investment	333,333 Shares	RMB5,000,000
Third Share Transfers . .	February 2020	Longmen No. 5	Longmen No. 1	251,018 Shares	RMB5,000,000
	March 2020	Wuxi Lejin	Suzhou Yueliang Enterprise Management Partnership (Limited Partnership) (蘇州閱良企業管理合夥企業(有限合夥)) (formerly known as Shanghai Yueliang Enterprise Management Partnership (Limited Partnership) (上海閱良企業管理合夥企業(有限合夥))) ("**Suzhou Yueliang**")	618,102 Shares	RMB12,311,912
			Meimin Investment	149,033 Shares	RMB2,968,573

Equity/Share Transfer	Transfer time	Transferer	Transferee	Number of Equity/Shares transferred[(1)]	Total Consideration
	March 2020	FIIF	Langma No. 17 (Shenzhen) Venture Capital Center (Limited Partnership) (朗瑪十七號(深圳)創業投資中心(有限合夥)) ("**Langma No. 17**")	552,239 Shares	RMB11,000,000
			Langma No. 18 (Shenzhen) Venture Capital Center (Limited Partnership) (朗瑪十八號(深圳)創業投資中心(有限合夥)) ("**Langma No. 18**")	953,868 Shares	RMB19,000,000
			Ms. CHEN Xiangyun	502,035 Shares	RMB10,000,000
			Tianjin Yuanyi Kaiyuan Asset Management Center (Limited Partnership) (天津遠翼開元資產管理中心 (有限合夥)) ("**Tianjin Yuanyi**")	1,506,107 Shares	RMB30,000,000
	April 2020	Shenhuateng Investment	Meimin Investment	617,504 Shares	RMB12,300,000
			Ningbo Feijun Yuanchuan Equity Investment Partnership (Limited Partnership) (寧波斐君元川股權投資合夥企業(有限合夥)) ("**Ningbo Yuanchuan**")	652,646 Shares	RMB13,000,000
			Changzhou Feijun Equity Investment Partnership (Limited Partnership) (常州斐君股權投資合夥企業(有限合夥)) ("**Changzhou Feijun**")	1,004,072 Shares	RMB20,000,000
			Guangzhou Huangpu Feijun Industry Investment Fund Partnership (Limited Partnership) (廣州黃埔斐君產業投資基金合夥企業(有限合夥)) ("**Guangzhou Feijun**")	351,425 Shares	RMB7,000,000

Equity/Share Transfer	Transfer time	Transferer	Transferee	Number of Equity/Shares transferred[1]	Total Consideration
			Changzhou Feijun Longcheng Equity Investment Partnership (Limited Partnership) (常州斐君隆成股權投資合夥企業(有限合夥)) ("**Changzhou Longcheng**")	1,210,028 Shares	RMB24,102,426
	May 2020	Jiaxing Zhaoyang	Meimin Investment	408,781 Shares	RMB7,898,180
	May 2020	Suzhou Pyramid	Meimin Investment	280,231 Shares	RMB5,581,893
	May 2020	Suzhou Meizhongrui	Meimin Investment	242,522 Shares	RMB4,830,771
	July 2020	Suzhou Pyramid	Jinpu Merger Fund	187,925 Shares	RMB4,075,793
			CICC Biomedical Fund	461,075 Shares	RMB9,999,979
	July 2020	Suzhou Meizhongrui	Jinpu Merger Fund	1,195,302 Shares	RMB25,924,188
	July 2020	FIIF	CICC Biomedical Fund	970,685 Shares	RMB19,999,994
Fourth Share Transfer[2] .	November 2020	Jinfeng Lingheng	CICC Generation Fund	4,698,754 Shares	RMB42,800,000
Fifth Share Transfers . .	September 2022	Ms. SHEN Xiaohui	Yangzhou Tenglan Equity Investment Partnership (Limited Partnership) (揚州騰嵐股權投資合夥企業(有限合夥)) ("**Yangzhou Tenglan**")	1,770,532 Shares	RMB19,200,000
			Changzhou Tengren Equity Investment Partnership (Limited Partnership) (常州騰壬股權投資合夥企業(有限合夥)) ("**Changzhou Tengren**", together with Yangzhou Tenglan, "**Tengwu Investment**")	442,633 Shares	RMB4,800,000

Notes:

(1) As adjusted to reflect the Capitalization Issue.

(2) CICC Generation Fund acquired 4,698,754 Shares held by Jinfeng Lingheng through online judicial auction.

Nominee Shareholding Arrangement

There were historically nominee shareholding arrangements in respect of the relevant shareholdings. As of the Latest Practicable Date, these nominee shareholding arrangements had been terminated and the restorations have been completed. To the best knowledge of our Directors, they are not aware of any disputes regarding the historical nominee shareholding arrangements, nor are they aware of any current nominee shareholding arrangements within the Company.

As advised by our PRC Legal Advisors, the PRC Company Law and its ancillary regulations do not prohibit or restrict the respective nominator from setting up nominee arrangements for their equity investment. And according to the PRC Civil Code, if the nominee arrangements are properly authorized and executed by the relevant parties, and do not fall into any specific invalidity circumstances of a contract as listed in the PRC Civil Code, they shall be deemed valid and enforceable. As such, our PRC Legal Advisors are of the view that the historical nominee shareholding arrangements would not be regarded as circumvention of the regulatory requirements stipulated in the PRC Company Law applicable to our Group.

Details of the nominee shareholding arrangements as mentioned above are set forth as follows:

Nominee	Nominator	Number of equity/Shares	Consideration paid by nominator	Nomination duration	Date of restorations	Reasons for nomination
Ms. WANG Wuda[2] . . .	Dr. LIANG	RMB1,250,000 registered capital[1]	RMB1,250,000	from June 2009 to June 2014	June 3, 2014	For the convenience of handling corporate filing related administrative affairs as the nominator being a foreign citizen, frequently traveled abroad to explore overseas business opportunities, which may cause unnecessary delay in administrative procedures
Ms. CHI Xiaoyu[3] . .	Dr. LI LI BOVET	RMB1,250,000 registered capital[1]	RMB1,250,000	from December 2007 to June 2014	June 3, 2014	For the convenience of handling corporate filing related administrative affairs as the nominator being a foreign citizen, frequently traveled abroad to explore overseas business opportunities, which may cause unnecessary delay in administrative procedures

Nominee	Nominator	Number of equity/Shares	Consideration paid by nominator	Nomination duration	Date of restorations	Reasons for nomination
Mr. GUO Baiping[4] . .	Mr. MI Jinyong	US$1,778 registered capital (equal to 87,755 Shares when restoration)	RMB200,000	from April 2013 to July 2017	July 28, 2017	Personal logistic arrangement as the size of investment of the nominator was relatively small and he preferred not to participate in the administrative procedures at early stage
	Mr. GENG Shaofeng	US$2,222 registered capital (equal to 87,754 Shares when restoration)	RMB250,000	from April 2013 to July 2017	July 28, 2017	Personal logistic arrangement as the size of investment of the nominator was relatively small and he preferred not to participate in the administrative procedures at early stage
Xinding Rongsheng[5] .	Xinding Kenge NEEQ Healthcare No. 35 Private Equity Fund (新鼎啃哥新三板大健康私募基金35號) ("**Kenge No. 35**")	230,141 Shares	RMB3,000,000	from August 2017 to May 2020	May 1, 2020	Internal shareholding arrangement

Notes:

(1) Referred to the registered capital held by Ms. WANG Wuda and Ms. CHI Xiaoyu in the predecessor of our Company, Jiangyin CF. To the best knowledge of our Company, Jiangyin Capital was aware of such nominee arrangements since the establishment of Jiangyin CF, and, as advised by our PRC Legal Advisors, all the then nominee arrangements over Jiangyin CF did not have any adverse implication on the establishment of Jiangyin CF or its shareholders' investment.

(2) Ms. WANG Wuda is the mother-in-law of Dr. LIANG. In June 2009, Dr. LIANG transferred all 25.5% equity interests he held in Jiangyin CF to Ms. WANG Wuda at a consideration of RMB76,500, which was not actually settled based on the underlying nominee arrangements and consensus achieved by both parties. The nominee arrangements were terminated upon the deregistration of Jiangyin CF.

(3) Ms. CHI Xiaoyu is an associate of Dr. LI LI BOVET. In December 2007, Ms. CHI Xiaoyu subscribed for 25.5% equity interests of Jiangyin CF, the consideration of which was ultimately settled through full payment by Dr. LI LI BOVET based on the underlying nominee arrangements. The nominee arrangements were terminated upon the deregistration of Jiangyin CF.

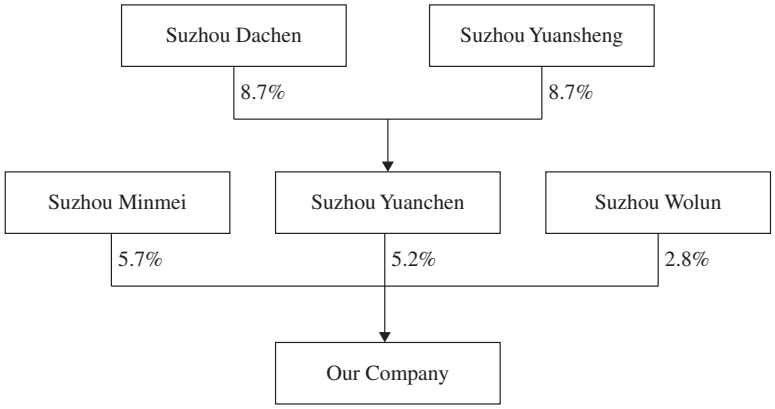
(4) To the best knowledge of the Company, Mr. GUO Baiping, Mr. MI Jinyong and Mr. GENG Shaofeng are friends and business partners. In April 2013, Mr. GUO Baiping subscribed for an increase of US$4,444 registered capital of our Company at a consideration of RMB500,000, among which, RMB200,000 was funded by Mr. MI Jinyong and RMB250,000 was funded by Mr. GENG Shaofeng.

(5) Xinding Rongsheng was the general partner and private fund manager of Xinyu Xinding Kenge No.12 Investment Management Partnership (Limited Partnership) (新余新鼎啃哥拾貳號投資管理合夥企業(有限合夥)) ("**Xinding Kenge**"), and the fund manager of Kenge No. 35. The ultimate beneficial owners of Kenge No.35 were limited partners of Xinding Kenge or their relatives. In August 2017, Xinding Rongsheng subscribed for 230,141 Shares of our Company at a consideration of RMB3,000,000, which was fully funded by the ultimate beneficial owners of Kenge No. 35. In May 2020, based on its internal arrangements, Xinding Rongsheng transferred the 230,141 Shares to Xinding Kenge at a consideration of RMB3,000,000, which was ultimately settled through full payment by Xinding Kenge to Kenge No. 35.

Employee Incentive Platforms

We established five employee incentive platform structured as two-tiered limited partnerships, namely Suzhou Minmei, Suzhou Yuanchen, Suzhou Wolun, Suzhou Yuansheng and Suzhou Dachen, to implement the Employee Incentive Scheme. Each of Suzhou Yuansheng and Suzhou Dachen is a limited partner of Suzhou Yuanchen. Under the People's Republic of China Partnership Enterprise Law, partnerships are caped to a maximum of fifty partners. This two-tiered structure enables our Company to work within these regulatory constraints while maintaining a large pool of eligible participants across several platforms, given the significant number of eligible participants under the Employee Incentive Scheme. Additionally, this structure, with Suzhou Pyramid as the single general partner for all five platforms, centralizes voting rights and management authority, providing both immediate operational efficiency and long-term flexibility. As our Company expands, the scalable design allows for the creation of additional limited partnerships without requiring complex corporate restructuring, especially alterations to its direct shareholding structure, ensuring efficient allocation of employee incentives.

As of the Latest Practicable Date, the simplified shareholding structure of the employee incentive platforms in our Company is as follows:



Through five employee incentive platforms, we allocated 18,080,912 Shares (equaling to 43,394,188 Share after Capitalization Issue) to eligible employees under Employee Incentive Scheme. For further details about our Employee Incentive Scheme, see the section headed "Statutory and General Information — D. Employee Incentive Scheme" in Appendix VII to this document.

As of the Latest Practicable Date, the particulars of the employee incentive platforms, including partnership structure, the interests of Directors, Supervisors, or their associates, the corresponding approximate percentages of partnership and economic interests, and the voting rights arrangement, is summarized below. Unless otherwise stated, the partnership interest percentage aligns with the economic interest.

	Number of Shares subject to Employee Incentive Scheme			General partner		Limited Partners		
Platform	Before Capitalization Issue	After Capitalization Issue	Timing of Allotting	Name/Identity	Partnership interests subject to Employee Incentive Scheme	Name/Identity	Partnership interests subject to Employee Incentive Scheme	Voting rights held by
Suzhou Minmei[(1)(8)]	5,625,230	13,500,552	July 2017, December 2019	Suzhou Pyramid (D)[(6)]	18.2%	Suzhou Meizhongrui (D)[(7)]	18.2%	Suzhou Pyramid (D)[(6)]
						Dr. LI Qi (D)	2.6%	
						Ms. ZHU Yuyu (D)	2.3%	
						Ms. KUAI Jingjing (S)	1.6%	
						Dr. Jean-Marc BOVET (A)	0.6%	
						Other 17 current or former employees	20.5%	
Suzhou Yuanchen[(2)]	8,054,076	19,329,782	August 2020	Suzhou Pyramid (D)[(6)]	38.7%	Suzhou Meizhongrui (D)[(7)]	38.7%	Suzhou Pyramid (D)[(6)]
						Suzhou Yuansheng	8.7%	
						Suzhou Dachen	8.7%	
						Ms. ZHANG Jingjing (S)	0.4%	
						Mr. WEI Wei (SM)	0.4%	
						Other 28 employees	4.4%	
Suzhou Yuansheng[(3)]	/	1,680,009	May 2023	Suzhou Pyramid (D)[(6)]	13.3%	Suzhou Meizhongrui (D)[(7)]	13.3%	Suzhou Pyramid (D)[(6)]
						Other 42 employees	73.4%	
Suzhou Dachen[(4)]	/	1,680,009	May 2023	Suzhou Pyramid (D)[(6)]	17.7%	Suzhou Meizhongrui (D)[(7)]	17.7%	Suzhou Pyramid (D)[(6)]
						Other 35 employees	64.6%	
Suzhou Wolun[(5)]	4,401,606	10,563,854	June 2020	Suzhou Pyramid (D)[(6)]	33.1%	Suzhou Meizhongrui (D)[(7)]	33.1%	Suzhou Pyramid (D)[(6)]
						Ms. ZHANG Jingjing (S)	0.5%	
						Ms CHENG Xiangfeng (S)	1.7%	
						Mr. WEI Wei (SM)	0.6%	
						Other 36 employees	31.0%	

(D) denotes that the partner or its ultimate beneficial owner is a Director of our Company.

(S) denotes that the partner is a Supervisor of our Company.

(SM) denotes that the partner is a senior management of our Company.

(A) denotes that the partner is the associate of a Director of our Company (i.e., Dr. Jean-Marc BOVET is the spouse of Dr. LI LI BOVET).

Notes:

(1) Suzhou Minmei was established in the PRC as a limited partnership on April 16, 2013.

(2) Suzhou Yuanchen was established in the PRC as a limited partnership on July 1, 2020.

(3) Suzhou Yuansheng, a limited partner of Suzhou Yuanchen, was established in the PRC as a limited partnership on May 4, 2023.

(4) Suzhou Dachen, a limited partner of Suzhou Yuanchen, was established in the PRC as a limited partnership on May 4, 2023.

(5) Suzhou Wolun was established in the PRC as a limited partnership on May 18, 2020.

(6) Suzhou Pyramid, a limited partnership established in the PRC, is managed by its general partner, HK Pyramid. Incorporated in Hong Kong, HK Pyramid is a limited liability company wholly owned by Dr. LIANG.

(7) Suzhou Meizhongrui, a limited partnership established in the PRC, is managed by its general partner, HK Gentiana. Incorporated in Hong Kong, HK Gentiana is a limited liability company wholly owned by Dr. LI LI BOVET.

(8) As of the Latest Practicable Date, Dr. LIANG held 36.2% partnership interest in Suzhou Minmei through Suzhou Pyramid as its general partner, of which, 18.0% was the personal interest of Dr. LIANG and was not subject to the Employee Incentive Scheme, and Dr. LI LI BOVET, held 36.2% partnership interest in Suzhou Minmei through Suzhou Meizhongrui as its limited partner, of which, 18.0% was the personal interest of Dr. LI LI BOVET and was not subject to the Employee Incentive Scheme.

ACTING-IN-CONCERT

Over the course of our business history, Dr. LIANG and Dr. LI LI BOVET have been acting in concert with each other in respect of the management and operation of our Group. On April 1, 2013, Dr. LIANG and Dr. LI LI BOVET entered into an acting-in-concert agreement (the "**Acting-in-Concert Agreement**") which was further amended by its supplemental agreements, to formally record the acting-in-concert arrangements and confirm that they will act in concert at the Board meetings and the general meetings of our Company until and unless both of them cease to hold managerial positions in our Company. In the event Dr. LIANG and Dr. LI LI BOVET fail to reach a consensus after sufficient communication, the voting rights subject to the acting-in-concert arrangements shall be exercised in accordance with the direction of the party who holds more Shares at that time, or, in the circumstance one of the parties ceases to be a management member of our Company, in accordance with the direction of the party who still stays in managerial position. The Acting-in-Concert Agreement will be automatically extend to the third anniversary from the [**REDACTED**], provided the [**REDACTED**] is completed prior to March 31, 2028, subject to further extension.

Therefore, Dr. LIANG and Dr. LI LI BOVET are considered as persons acting-in-concert in respect of our Company within the meaning of the Takeovers Codes and will continue to act in concert with each other in the decision-making of our Group. Dr. LIANG (through HK Pyramid, Suzhou Pyramid, Suzhou Minmei, Suzhou Dachen, Suzhou Yuansheng, Suzhou Yuanchen and Suzhou Wolun) and Dr. LI LI BOVET (through HK Gentiana and Suzhou Meizhongrui), by virtue of the acting-in-concert arrangements among them, were collectively entitled to exercise the voting rights attaching to approximately 27.2% of our total issued share capital as of the Latest Practicable Date, and will be entitled to exercise the voting rights attached to approximately [**REDACTED**]% of our total issued share capital immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

PRC LEGAL ADVISORS' CONFIRMATION

As advised by our PRC Legal Advisors, our Company and its subsidiaries have complied with applicable PRC laws and regulations in relation to the changes of shareholdings as set out above in all material aspects.

PRE-[REDACTED] INVESTMENTS

The following table summarizes the key terms of the Pre-[**REDACTED**] Investments:

	Series A Financing	Series B Financing	Series B+ Financing	Series C Financing	Series D Financing	First Share Transfers	Second Share Transfers	Series E Financing	Series E+ Financing	Series F Financing	Third Share Transfers	Fourth Share Transfer	Fifth Share Transfers
Date of agreement (equity/Share subscription)	December 12, 2010	April 10, 2013	September 15, 2013	February 28, 2015 and May 22, 2015	August 10, 2017	N/A	N/A	December 19, 2019	April 23, 2020	June 30, 2020	N/A	N/A	N/A
Date of agreement(s) (equity/Share transfer)	N/A	N/A	N/A	N/A	N/A	December 2017, February 6, 2018	October 25, 2018	N/A	N/A	N/A	February 7, 2020, March 16, 2020, March 17, 2020, April 26, 2020, July 6, 2020	N/A[4]	September 2, 2022
Date of payment of full consideration	December 30, 2010	May 13, 2013	October 17, 2013	August 3, 2015	September 30, 2017	April 16, 2018	November 2, 2018	April 1, 2020	May 8, 2020	July 1, 2020	September 9, 2020	October 22, 2020	September 14, 2022
Approximate cost per Share	RMB1.6[1][2]	RMB2.9[1]	RMB2.9[1]	RMB5.3[1]	RMB13.0	RMB13.3	RMB15.0	RMB19.9	RMB19.9	RMB21.7	RMB20.2	RMB9.1	RMB10.8
Approximate cost per Share (as adjusted to reflect the Capitalization Issue)	RMB0.1	RMB1.2	RMB1.2	RMB2.2	RMB5.4	RMB5.5	RMB6.3	RMB8.3	RMB8.3	RMB9.0	RMB8.4	RMB9.1	RMB10.8
Amount of registered capital subscribed/acquired	US$160,000[3]	US$364,444	US$506,580	US$1,792,513	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Amount of Shares subscribed/acquired	N/A	N/A	N/A	N/A	33,339,689	8,803,408	4,546,027	22,340,629	3,012,220	16,275,983	12,114,598	4,698,754	2,213,165
Amount of Shares subscribed/acquired (as adjusted to reflect the Capitalization Issue)	N/A	N/A	N/A	N/A	80,015,254	21,128,179	10,910,465	53,617,510	7,229,328	39,062,359	29,075,035	4,698,754	2,213,165
Amount of consideration paid	RMB10,000,000	RMB41,000,000	RMB9,000,000	RMB59,142,878	RMB434,600,000	RMB117,060,129	RMB68,190,410	RMB445,000,000	RMB60,000,000	RMB353,000,000	RMB244,993,709	RMB42,800,000	RMB24,000,000

	Series A Financing	Series B Financing	Series B+ Financing	Series C Financing	Series D Financing	First Share Transfers	Second Share Transfers	Series E Financing	Series E+ Financing	Series F Financing	Third Share Transfers	Fourth Share Transfer	Fifth Share Transfers
Discount to the [REDACTED][5]	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%[6]	[REDACTED]%[6]	[REDACTED]%	[REDACTED]%
Post-money valuation of our Company	RMB50,000,000	RMB131,006,923.3	RMB139,999,940.8	RMB319,143,375.0	RMB1,264,600,004.8	RMB1,289,980,572.8	RMB1,455,178,576.7	RMB2,444,999,853.6	RMB2,504,999,561.8	RMB3,176,000,273.3	RMB2,961,413,011.5	RMB3,377,363,565.7	RMB4,020,816,020.5
Basis of determination of the consideration	The consideration for each Pre-[REDACTED] Investment was determined through arm's length negotiation between the respective Pre-[REDACTED] Investor and our Group or the then existing Shareholders with reference to, among others, the timing of the investment, the original acquisition cost per Share (if applicable), the operational and financial performance of our Group, R&D progress and the prospects of our business, and taking into account the appraised value of our Company as of each series of Pre-[**REDACTED**] financing based on the then latest financial statements. The significant increase of valuation of our Company during the period between the Series A Financing and Series B Financing reflects the investors' recognition of our initial blueprint for the inhalation drugs, specifically, we had established a core multidisciplinary R&D team spanning medicine, pharmaceutics, particle science, multiphase flow, surface science, materials engineering, mechanical design and automation, initiated multiple aerosol and nasal spray development projects, and commenced preparations for production base construction. The significant increase of valuation of our Company during the period between the Series B+ Financing and Series C Financing reflects our milestone achievements in R&D and manufacturing. Our production base had been completed with established lines for aerosol, nasal spray, nebulizer, and dry powder formulations. Both CF017 and CF018 made phased progress, while our workforce expanded to approximately 80 employees. The significant increase of consideration of our Company during the period between the Series C Financing and Series D Financing demonstrated our leadership position in the inhaled formulation sector. We introduced FIIF, a fund initiated by China's National Development and Reform Commission, Ministry of Finance, and Ministry of Industry and Information Technology. Our pipeline expanded to over 10 products covering various dosage forms including inhaled liquids, aerosols, nasal sprays, and dry powder inhalers. Notably, CF017 and CF018 completed stability studies, compatibility studies, small-scale development, pilot-scale amplification, and process validation, with CF018 obtaining clinical approval. Our workforce grew to nearly 150 employees. The significant increase of valuation of our Company during the period between the Series D Financing and Series E Financing marked our transition from pure R&D to integrated R&D, production, and commercialization. We expanded to over 200 employees with enhanced production and commercial capabilities, and achieved multiple key developments including, among others, (i) completion of human bioequivalence study for CF017 and production application submission to the CDE, (ii) initiation of phase III clinical trials for CF018, (iii) clinical approval for CF006, and (iv) the acknowledgment of GW008 as a "National Innovative Drug Development Project."												
Lock-up period	Pursuant to the applicable PRC laws, within the 12 months following the [**REDACTED**], all existing Shareholders (including the Pre-[**REDACTED**] Investors) of our Company could not dispose of any of the Shares held by them.												
Strategic benefits	We are of the view that our Company can benefit from the investments by the Pre-[**REDACTED**] Investors as their investments demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance and strengths. Our Company is also of the view that certain Pre-[**REDACTED**] Investors have good presence in our industry which can provide us with professional insights and advice on our Group's development and can help us achieve business synergies through enhanced business cooperation.												
Use of proceeds	We utilized the proceeds from the Pre-[**REDACTED**] Investments for the growth and expansion of our Company's business, the support of our R&D and commercialization, and as our general working capital. As of the Latest Practicable Date, approximately 89.0% of the net proceeds from the Pre-[**REDACTED**] Investments has been utilized for the aforementioned purposes. We expect to utilize the remaining proceeds from the Pre-[**REDACTED**] Investments for the same purposes.												

Notes:

(1) Calculated based on the number of Shares as adjusted after 2013 Capitalization in August 2013, conversion of our Company from a limited liability company into a joint stock company in March 2016 and Downward Adjustment in July 2017.

(2) Calculated based on the consideration paid by SL Pharmaceutical to Jiangyin CF in Series A Financing.

(3) Referred to the equity interests transferred from Jiangyin CF as consideration to repurchase all its equity interests held by SL Pharmaceutical pursuant to the capital reduction and equity swap agreement in March 2013.

(4) CICC Generation Fund acquired 4,698,754 Shares held by Jinfeng Lingheng through online judicial auction.

(5) 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 mid-point of the indicative [**REDACTED**] range).

(6) To the best knowledge of our Directors, as part of the Shares involved in the Third Share Transfers were originally subscribed by relevant Pre-[**REDACTED**] Investors in earlier rounds of our financings at lower costs per Share, the discount to the [**REDACTED**] for Third Share Transfers was greater than Series F Financing.

Information Relating to Our Pre-[REDACTED] Investors

Set out below are details of our Pre-[**REDACTED**] Investors. To the best of our Company's knowledge, information and belief and having made all reasonable enquiries, save for Meimin Investment (where an executive Director, Ms. ZHU Yuyu, and a Supervisor, Ms. CHENG Xiangfeng, serve as the general partners) and Shengyuan Investment (where an executive Director, Ms. ZHU Yuyu, serves as the general partner), all the other Pre-[**REDACTED**] Investors are Independent Third Parties.

Pre-[REDACTED] Investors	Backgrounds
FIIF	FIIF is a limited partnership established in the PRC. The general partner of FIIF is SDICFUND Management Co., Ltd. (國投創新投資管理有限公司) ("**SDICFUND**"). SDICFUND is an independent private equity fund manager. As of the Latest Practicable Date, FIIF had 11 limited partners, of which the Ministry of Finance of the PRC (中華人民共和國財政部) was the largest limited partner, holding 35.5% partnership interest in FIIF. SDICFUND and its affiliates manage nearly RMB100 billion of capital from diversified investors, including financial institutions, social security fund, private enterprises, state-owned enterprises. SDICFUND focuses on four investment sectors: life science, intelligent NEV, smart manufacturing as well as information & communication technology. Its portfolio companies, which are listed on the Stock Exchange, in life science sector include CanSino Biologics Inc. (stock code: 06185), Innovent Biologics, Inc. (stock code: 01801), Ascentage Pharma Group International (stock code: 06855) and Peijia Medical Limited (stock code: 09996).
Oriza Funds	China-Singapore Ventures is a limited company established in the PRC and wholly owned by its private fund manager Suzhou Oriza Holdings Corporation (蘇州元禾控股股份有限公司) ("**Oriza Holdings**"). Oriza Holdings is owned as to 59.98% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司) ("**SIP Economic Development**"). SIP Economic Development is owned as to 90% by Suzhou Industrial Park Administrative Committee (蘇州工業園區管理委員會) and 10% by Jiangsu Provincial Department of Finance (江蘇省財政廳).

Pre-[REDACTED] Investors	Backgrounds
	Jiequan Oriza is a limited partnership established in the PRC and managed by its general partner and private fund manager, Oriza Holdings. All four limited partners of Jiequan Oriza are Independent Third Parties. China-Singapore Ventures, being the largest limited partner, holds 64.95% partnership interest in Jiequan Oriza. None of the remaining limited partners holds more than one third of partnership interest. China-Singapore Ventures is principally engaged in the investment of new and high-tech enterprises, as well as the provision of mergers and acquisitions, reorganization and management consulting services. Jiequan Oriza is a professional institutional investor in the PRC principally engaged in equity investments in strategic emerging industries. Oriza Holdings has previously invested in several pharmaceutical companies, such as Innovent Biologics, Inc., a company listed on the Stock Exchange (stock code: 01801), JW (Cayman) Therapeutics, a company listed on the Stock Exchange (stock code: 02126), and Ascentage Pharma, a company listed on the Stock Exchange (stock code: 06855).
Shanghai Sihongda. . . .	Shanghai Sihongda is a limited partnership established in the PRC and managed by its general partner, JIN Zhidong (金之棟). WANG Simian (王思勉), being the limited partner of Shanghai Sihongda, holds 99% partnership interest. Each of JIN Zhidong and WANG Simian is an Independent Third Party. Shanghai Shihongda is an institutional investor that primarily focuses on equity investment.

Pre-[REDACTED] Investors	Backgrounds
SL Pharmaceutical	SL Pharmaceutical is a joint stock company established in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 002038). SL Pharmaceutical is primarily engaged in the fields of hematology, oncology, hepatology, nephrology, diabetes, and cardiovascular and cerebrovascular diseases, with an investment focus on pharmaceutical industry. SL Pharmaceutical has invested in, among others, Beijing Sunho Pharmaceutical Co., Ltd. (北京星昊醫藥股份有限公司), a company listed on the Beijing Stock Exchange (stock code: 430017), Shouyao Holdings (Beijing) Co., Ltd. (首藥控股(北京)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688197), and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a company listed on both the Shanghai Stock Exchange (stock code: 600196) and the Stock Exchange (stock code: 2196).
CMB Funds	Jiangsu CMB is a limited partnership established in the PRC and managed by its general partner and private fund manager, Jiangsu CMB Industrial Fund Management Co., Ltd. (江蘇招銀產業基金管理有限公司) ("**Jiangsu CMB Management Company**"), which is ultimately owned by China Merchants Bank Co., Ltd, a company listed on the Stock Exchange (stock code: 03968) and Shanghai Stock Exchange (stock code: 600036). Jiangsu CMB has two limited partners, each of whom is an Independent Third Party. Jiangsu Province Government Investment Fund (Limited Partnership) (江蘇省政府投資基金(有限合夥)), one of the limited partners, holds 33.28% of its partnership interest and is ultimately owned by Department of Finance of Jiangsu Province (江蘇省財政廳). CMB International Financial Holding (Shenzhen) Ltd. (招銀國際金融控股(深圳)有限公司), the other limited partner, holds 66.56% of its partnership interest and is ultimately owned by CMB International Capital Corporation Limited, which is an indirect wholly owned subsidiary of China Merchants Bank Co., Ltd.

Pre-[REDACTED] Investors	Backgrounds
	Nanjing CMB is a limited partnership established in the PRC and managed by its general partner and private fund manager, Jiangsu CMB Management Company. All 12 limited partners of Nanjing CMB are Independent Third Parties, with none of them holding more than one third of partnership interest. Jiangsu CMB and Nanjing CMB are experienced in making equity investments in private companies across the fields of technology and pharmacy. The portfolio companies of CMB Funds include, among others, Dingdang Health Technology Group Ltd. (叮噹健康科技集團有限公司), a company listed on the Stock Exchange (stock code: 09886) and Jiangsu Recbio Technology Co., Ltd. (江蘇瑞科生物技術股份有限公司), a company listed on the Stock Exchange (stock code: 02179).
Lianyi Investment	Lianyi Investment is a limited partnership established in the PRC and managed by its general partner and private fund manager, Shanghai Linxin Capital Management Co., Ltd. (上海聯新資本管理有限公司), which is ultimately controlled by QU Liefeng (曲列鋒), an Independent Third Party. All 11 limited partners of Lianyi Investment are Independent Third Parties, with none of them holding more than one third of partnership interest. Lianyi Investment is an institutional investor that primarily focuses on equity investment, its portfolio companies include, such as, Sinotherapeutics Inc. (上海宣泰醫藥科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688247).
GTJA Investment Group.	Shenzhen GTJA is a limited partnership established in the PRC and managed by its general partner, Shenzhen GTJA Investment Group Co., Ltd. (深圳市高特佳投資集團有限公司) ("**GTJA Investment Group**"), which is ultimately controlled by BIAN Zhuang (卞莊), an Independent Third Party, Wuhu Xinde No. 1 Investment Center (Limited Partnership) (蕪湖鑫德壹號投資中心(有限合夥)), an Independent Third Party, being the limited partner of Shenzhen GTJA, holds 99% partnership interest.

Pre-[REDACTED] Investors	Backgrounds
	Jiangsu GTJA is a limited partnership established in the PRC and managed by its general partner, Nanjing Gaotejia Medical Investment Enterprise (Limited Partnership) (南京高特佳醫療投資企業(有限合夥)), the general partner of which is, CAI Dajian (蔡達建), an Independent Third Party. All 16 limited partners of Jiangsu GTJA are Independent Third Parties, with none of them holding more than one third of partnership interest. GTJA Investment Group invests in early and growth-stage companies in China and around the world with a focus on medical and healthcare industry, it has invested in, among others, China Resources Boya Bio-pharmaceutical Group Co., Ltd. (華潤博雅生物製藥集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300294).
CICC Generation Fund*(Note)*	CICC Generation Fund is a limited partnership established in the PRC, with CICC Capital Management Co., Ltd. (中金資本運營有限公司) ("**CICC Capital**") as its general partner, which is wholly owned by China International Capital Corporation Limited, a company listed on both Shanghai Stock Exchange (stock code: 601995) and the Stock Exchange (stock code: 03908). All 21 limited partners of CICC Generation Fund are Independent Third Parties, with none of them holding more than one third of partnership interest. CICC Generation Fund is a private equity fund primarily focusing on equity investment in high-tech enterprises and pharmaceutical companies with high growth potential.
Meimin Investment . . .	Meimin Investment is a limited partnership established in the PRC and managed by its general partners, namely Ms. ZHU Yuyu (an executive Director, deputy general manager and secretary of the Board of our Company), Ms. CHENG Xiangfeng (a Supervisor) and LI Lihua (李力樺) (an Independent Third Party). Meimin Investment has 42 limited partners. Except for Ms. ZHANG Jingjing (a Supervisor) and Ms. WANG Wuda (an associate of Dr. LIANG), all the remaining limited partners of Meimin Investment are Independent Third Parties, with none of them holding more than one third of partnership interest.

Pre-[REDACTED] Investors	Backgrounds
GP Healthcare Capital Phase I	GP Healthcare Capital Phase I is a limited partnership established in the PRC and managed by its private fund manager, GP Healthcare Capital Co., Ltd. (上海金浦醫療健康股權投資基金管理有限公司) ("**GP Healthcare Capital**"). The largest shareholder of GP Healthcare Capital is GP Capital Co., Ltd. (金浦產業投資基金管理有限公司), which holds 30% equity interest. The general partner of GP Healthcare Capital Phase I is GP Healthcare Capital. All 12 limited partners of GP Healthcare Capital Phase I are Independent Third Parties. Jiangsu Shagang Group Co., Ltd. (江蘇沙鋼集團有限公司), being the largest limited partner of GP Healthcare Capital Phase I, holds 43.67% partnership interest. None of the remaining limited partners holds more than one third of partnership interest. GP Healthcare Capital Phase I is an institutional investor that primarily focuses on equity investment in the medical and health industry.
Longmen Changfeng	Longmen Changfeng is a limited partnership established in the PRC and managed by its general partner and private fund manager, Zhuhai Longmen Capital Management Co., Ltd. (珠海隆門資本管理有限公司), which is ultimately controlled by WANG Haining (王海寧), an Independent Third Party. All 24 limited partners of Longmen Changfeng are Independent Third Parties, with none of them holding more than 30% partnership interest. Longmen Changfeng is an institutional investor that primarily focuses on equity investment.
CICC Biomedical Fund*(Note)*	CICC Biomedical Fund is a limited partnership established in the PRC and managed by its general manager, CICC Capital, which is wholly owned by China International Capital Corporation Limited, a company listed on both Shanghai Stock Exchange (stock code: 601995) and the Stock Exchange (stock code: 03908). All 30 limited partners of CICC Biomedical Fund are Independent Third Parties, with none of them holding more than one third of partnership interest.

Pre-[REDACTED] Investors	Backgrounds
Yuanming Capital	Yuanming Capital is a limited partnership established in the PRC and managed by its general partner and private fund manager, Shenzhen Qianhai Yuanming Asset Management Co., Ltd. (深圳前海元明資產管理有限公司), which is ultimately controlled by TIAN Yuan (田源), an Independent Third Party. All 12 limited partners of Yuanming Capital are Independent Third Parties, with none of them holding more than one third of partnership interest. Yuanming Capital is an institutional investor that primarily focuses on equity investment.
Unique Classic Limited	Unique Classic Limited is a limited company incorporated in the BVI on July 16, 2019 and an affiliated investment entity wholly owned by CR-CP Life Science Fund, L.P. ("**CR-CP Fund**"), a limited partnership ultimately controlled by China Resources Group, with the single largest shareholder being State-owned Assets Supervision and Administration Commission of the State Council, holding 90.02% of its shareholding interests, and Charoen Pokphand Group of Thailand, with the single largest shareholder being Mr. Sumet Jiarayanon, holding 13.16% of its shareholding interests. CR-CP Fund is principally engaged in investment focusing on early-/growth-stage companies in the life science universe.
Suzhou Longmen Venture Capital	Longmen No. 1 is a limited partnership established in the PRC and managed by its general partner and private fund manager, Suzhou Longmen Venture Capital Partnership (Limited Partnership) (蘇州隆門創業投資合夥企業(有限合夥)) ("**Suzhou Longmen Venture Capital**"), which is ultimately controlled by SHEN Hongquan (申紅權), an Independent Third Party. All 13 limited partners of Longmen No. 1 are Independent Third Parties, with none of them holding more than one third of partnership interest. Longmen Yusen is a limited partnership established in the PRC and managed by its general partner, Suzhou Longmen Venture Capital. All four limited partners of Longmen Yusen are Independent Third Parties, with none of them holding more than one third of partnership interest.

Pre-[REDACTED] Investors	Backgrounds
	Each of Longmen No. 1 and Longmen Yusen is a professional institutional investor in the PRC principally engaged in equity investments in strategic emerging industries.
CCBI Investment	CCBI Investment is a limited liability company established in the PRC and wholly owned by CCBI Wealth Management Co., Ltd. (建銀國際財富管理(天津)有限公司), which is ultimately controlled by China Construction Bank Cooperation, a company listed on the Stock Exchange (stock code: 00939) and the Shanghai Stock Exchange (stock code: 601939). CCBI Investment is experienced in investing in pharmaceutical and technology companies.
Finnova Funds	Yantai Duoying is a limited partnership established in the PRC and managed by its general manager Yantai Duoying Equity Investment Management Co., Ltd. (煙台多盈股權投資管理有限公司) ("**Yantai Duoying Management**"), and its private fund manager, Yantai Finnova Investment Management Co., Ltd. (煙台源創投資管理有限公司) ("**Yantai Finnova**"). Yantai Duoying Management is ultimately controlled by ZOU Fangming (鄒方明), an Independent Third Party. Yantai Finnova is ultimately jointly controlled by FENG Zhuangzhi (馮壯志) and WANG Jiafu (汪家富), each of whom is an Independent Third Party. All six limited partners of Yantai Duoying are Independent Third Parties, with none of them holding more than one third of partnership interest. Qingdao Finnova is a limited partnership established in the PRC and managed by its general manager, Qingdao Yuanzhi Lifan Equity Investment Management Co., Ltd. (青島源志立帆股權投資管理有限公司) ("**Qingdao Yuanzhi Lifan**"), and its private fund manager, Beijing Finnova Investment Management Co., Ltd. (北京融新源創投資管理有限公司) ("**Beijing Finnova**"). Both Qingdao Yuanzhi Lifan and Beijing Finnova are ultimately controlled by FENG Zhuangzhi. All eight limited partners of Qingdao Finnova are Independent Third Parties, with none of them holding more than one third of partnership interest.

Pre-[REDACTED] Investors	Backgrounds
	Each of Yantai Duoying and Qingdao Finnova is an institutional investor that principally engaged in equity investment, investment advisory and corporate management advisory.
Shanghai Hanren	Shanghai Hanren is a limited partnership established in the PRC and managed by its general partner and private fund manager, Shanghai Hanren Investment Holding Co., Ltd. (上海漢仁投資控股有限公司), which is ultimately controlled by HUANG Hanzhong (黃漢忠). Shanghai Hanren has two limited partners, namely HUANG Hanzhong and CHEN Rendao (陳任道), each of whom is an Independent Third Party and holds 49.5% partnership interest, respectively. Shanghai Hanren is an institutional investor that primarily focuses on equity investment in high-technology, pharmaceutical and Industrial companies.
Mild Investment.	Changzhou Longcheng is a limited partnership established in the PRC and managed by its general partner and private fund manager, Mild Capital Investment Management LLP (上海涌平私募基金管理合夥企業(有限合夥)) ("**Mild Capital**"), which is ultimately controlled by ZHOU Bin (周彬), an Independent Third Party. All 38 limited partners of Changzhou Longcheng are Independent Third Parties, with none of them holding more than one third of partnership interest. Ningbo Yuanchuan is a limited partnership established in the PRC and managed by its general partner and private fund manager, Mild Capital. All 47 limited partners of Ningbo Yuanchuan are Independent Third Parties, with none of them holding more than one third of partnership interest. Guangzhou Yongping is a limited partnership established in the PRC and managed by its general partner and private fund manager, Mild Capital. All six limited partners of Guangzhou Yongping are Independent Third Parties, with none of them holding more than one third of partnership interest.

Pre-[REDACTED] Investors	Backgrounds
	Changzhou Yongjun is a limited partnership established in the PRC and managed by its general partner and private fund manager, Mild Capital. All 36 limited partners of Changzhou Yongjun are Independent Third Parties, with none of them holding more than one third of partnership interest. Changzhou Longcheng, Ningbo Yuanchuan, Guangzhou Yongping and Changzhou Yongjun are experienced institutional investors, primarily focusing on equity investment in technology and pharmaceutical sectors.
Cornerstone Fund.	Cornerstone Fund is a limited partnership established in the PRC and managed by its general partner and private fund manager, Anhui Xinbao Cornerstone Asset Management Co., Ltd. (安徽信保基石資產管理有限公司), which is ultimately controlled by ZHANG Wei (張維), an Independent Third Party. All three limited partners of Cornerstone Fund are Independent Third Parties. Anhui Development Investment Co., Ltd. (安徽省開發投資有限公司), being the largest limited partner of Cornerstone Fund, holds 36.14% partnership interest. None of the remaining limited partners holds more than one third partnership interest. Cornerstone Fund is a private fund mainly making investments in technology and pharmaceutical companies.
Jinpu Merger Fund. . . .	Jinpu Merger Fund is a limited partnership established in the PRC and managed by its general partner and private fund manager, Shanghai Jinpu Innovation Equity Investment Management Co., Ltd. (上海金浦創新股權投資管理有限公司) ("**Jinpu Innovation Management**"). The largest shareholder of Jinpu Innovation Management is GP Capital Co., Ltd., which holds 36% equity interests. All 24 limited partners of Jinpu Merger Fund are Independent Third Parties, with none of them holding more than one third of partnership interest. Jinpu Merger Fund is an institutional investor that primarily focuses on equity investment.

Pre-[REDACTED] Investors	Backgrounds
Shanghai Jianli	Shanghai Jianli is a limited partnership established in the PRC and managed by its general partner and private fund manager, Shanghai Zhide Jianli Investment Management Co., Ltd. (上海智德簡理投資管理有限公司) ("**Shanghai Zhide**"), which is ultimately controlled by WU Qiang (吳強), an Independent Third Party. All 10 limited partners of Shanghai Jianli were Independent Third Parties, with none of them holding more than one third of partnership interest. Shanghai Jianli is an institutional investor that primarily focuses on equity investment in the technology industry.
Mengxi Venture	Mengxi Venture is a limited partnership established in the PRC and managed by its general partner Suzhou Xiangcheng Venture Capital, LLC. (蘇州市相城創業投資有限責任公司) (holding 50% partnership interest therein) and its private fund manager Suzhou Xiangcheng Private Equity Fund Management Co., Ltd. (蘇州市相城私募基金管理有限公司), both of which are ultimately controlled by Suzhou Xiangcheng District People's Government State-owned Assets Supervision and Administration Office (蘇州市相城區人民政府國有資產監督管理辦公室). The sole limited partner of Mengxi Venture, Suzhou Xiangcheng Economic and Technological Development Zone Caohu Capital Investment Co., Ltd. (蘇州相城經濟技術開發區漕湖資本投資有限公司), holding 50% partnership interest, is ultimately controlled by Suzhou Xiangcheng Economic and Technological Development Zone Administrative Committee (蘇州相城經濟技術開發區管理委員會) and is an Independent Third Party. Mengxi Venture is an institutional investor that primarily focuses on equity investment.

Pre-[REDACTED] Investors	Backgrounds
Tianjin Yuanyi	Tianjin Yuanyi is a limited partnership established in the PRC and managed by its general partner Tianjin Yuanyi Hongyang Asset Management Co., Ltd. (天津遠翼宏揚資產管理有限公司) and its private fund manager Grand Flight Investment Management Co., Ltd. (遠翼投資管理有限公司), both of which are ultimately controlled by Far East Horizon Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 3360). All 13 limited partners of Tianjin Yuanyi are Independent Third Parties. Shanghai Dopont Industrial Co., Ltd. (上海德朋實業有限公司), being the largest limited partner of Tianjin Yuanyi, holds 39.86% partnership interest. None of the remaining limited partners holds more than one third of partnership interest. Tianjin Yuanyi is an institutional investor that primarily focuses on equity investment in the pharmaceutical and technology sectors.
Everest Ventures	Langma No. 18 is a limited partnership established in the PRC and managed by its general partner and private fund manager, Everest Venture Capital Investment Co., Ltd. (朗瑪峰創業投資有限公司) ("**Everest Venture Capital**"), which is ultimately controlled by XIAO Jiancong (肖建聰), an Independent Third Party. All 41 limited partners of Langma No.18 are Independent Third Parties, with none of them holding more than one third of partnership interest. Langma No. 17 is a limited partnership established in the PRC and managed by its general partner and private fund manager Everest Venture Capital. All 44 limited partners of Langma No. 17 are Independent Third Parties, with none of them holding more than one third of partnership interest. Each of Langma No.18 and Langma No. 17 is an institutional investor that primarily focuses on equity investments.

Pre-[REDACTED] Investors	Backgrounds
Boyuan Venture	Boyuan Venture is a limited partnership established in the PRC and managed by its general partner Shanghai Borui Jiatian Enterprise Management Partnership (Limited Partnership) (上海博睿嘉天企業管理合夥企業(有限合夥)), which is in turn managed by its general partner and private fund manager, Borui Yuye (Shanghai) Equity Investment Management Co., Ltd. (博睿瑜業(上海)股權投資管理有限公司), which is ultimately controlled by ZHI Ruwei (支汝葦), an Independent Third Party. All 28 limited partners of Boyuan Venture are Independent Third Parties, with none of them holding more than one third of partnership interest. Apart from the investment in our Company, Boyuan Venture has invested in other companies in the healthcare and biotech industry covering pharmaceutical, biotechnology, medical service and medical device sectors, such as TYK Medicines, Inc (浙江同源康醫藥股份有限公司), a company listed on the Stock Exchange (stock code: 2410)), Zhejiang Biosan Biochemical Technologies Co., Ltd. (浙江博聖生物技術股份有限公司), Haihe Biopharma Co., Ltd. (上海海和藥物研究開發股份有限公司) and Wecare-Probiotics Co., Ltd. (微康益生菌(蘇州)股份有限公司).
Yangtze River Delta Fund.	Yangtze River Delta Fund is a limited partnership established in the PRC and managed by its general partner and private fund manager, Shanghai Hengxu Chuangling Investment Management Co. Ltd. (上海恒旭創領投資管理有限公司), which is ultimately controlled by LU Yongtao (陸永濤), an Independent Third Party. All nine limited partners of Yangtze River Delta Fund are Independent Third Parties, with none of them holding more than one third of partnership interest. Yangtze River Delta Fund is an institutional investor that primarily focuses on equity investment.

Pre-[REDACTED] Investors	Backgrounds
Feijun Investment	Changzhou Feijun is a limited partnership established in the PRC and managed by its general partner and private fund manager Shanghai Feijun Investment Management Center (Limited Partnership) (上海斐君投資管理中心(有限合夥)) ("**Passion Capital**"), which is ultimately controlled by HUANG Hongbin (黃宏彬), an Independent Third Party. All 25 limited partners of Changzhou Feijun are Independent Third Parties, with none of them holding more than one third of partnership interest. Guangzhou Feijun is a limited partnership established in the PRC and managed by its general partner and private fund manager, Passion Capital. All six limited partners of Guangzhou Feijun are Independent Third Parties, with none of them holding more than one third of partnership interest. Each of Changzhou Feijun and Guangzhou Feijun is an institutional investor that primarily focuses on equity investment in the pharmaceutical and technology sectors.
Qianhai Kangda	Qianhai Kangda is a limited partnership established in the PRC and managed by its general partner, Beijing Kangtai Zhongcheng Investment Management Co., Ltd. (北京康泰眾誠投資管理有限公司) (holding 18.18% partnership interest therein), which is in turn controlled by ZHOU Xiang (周翔), an Independent Third Party. The sole limited partner of Qianhai Kangda, Kangtai International Hospital Management (Beijing) Co., Ltd. (康泰國際醫院管理(北京)有限公司), holding 81.82% partnership interest, is ultimately controlled by TIAN Ming (田鳴), an Independent Third Party. Qianhai Kangda is an institutional investor that primarily focuses on equity investment in the medical industry.

Pre-[REDACTED] Investors	Backgrounds
Wosheng Huijia	Wosheng Huijia is a limited partnership established in the PRC and managed by its general partner and private fund manager, Ningbo Meishan Bonded Port Area Wosheng Investment Management Co., Ltd. (寧波梅山保税港區沃生投資管理有限公司), which is ultimately controlled by WANG Xiuhua (王秀華), an Independent Third Party. All eight limited partners of Wosheng Huijia are Independent Third Parties, with none of them holding more than one third of partnership interest. Wosheng Huijia is an institutional investor that primarily focuses on equity investment in the medical industry.
Taichu Investment	Taichu Investment is a limited partnership established in the PRC and managed by its general partner and private fund manager, Beijing Alan Assets Management Co., Ltd. (北京朗姿韓亞資產管理有限公司), which is ultimately jointly-controlled by SHEN Dongri (申東日) and SHEN Linghua (申今花), both are Independent Third Parties. The sole limited partner of Taichu Investment, Hainan Yinuo Entrepreneurship Investment Co., Ltd. (海南一諾創業投資有限公司), holding 99.52% partnership interest, is ultimately controlled by LI Qiang (李強), an Independent Third Party. Taichu Investment is an institutional investor that primarily focuses on equity investment.
Tengwu Investment . . .	Yangzhou Tenglan is a limited partnership established in the PRC and managed by its general partner and private fund manager, Shanghai Tengwu Equity Investment Fund Management Co., Ltd. (上海騰午股權投資基金管理有限公司) ("**Ten Capital**"), which is ultimately owned by ZHANG Chengyong (張承勇), an Independent Third Party. The sole limited partner of Yangzhou Tenglan, TANG Ximeng (唐悉萌), holding 99.95% partnership interest, is an Independent Third Party.

Pre-[REDACTED] Investors	Backgrounds
	Changzhou Tengren is a limited partnership established in the PRC and managed by its general partner and private fund manager Ten Capital. All four limited partners of Changzhou Tengren are Independent Third Parties. Except for PAN Jiaquan (潘家全) and Hainan Jiasui Industrial Development Partnership Enterprise (Limited Partnership) (海南嘉穗實業發展合夥企業(有限合夥)), a limited partnership ultimately controlled by LI Yongfen (李永芬), an Independent Third Party, who holds 51.09% and 37.59% partnership interest, respectively, none of the remaining limited partners of Changzhou Tengren holds more than one third of partnership interest. Each of Yangzhou Tenglan and Changzhou Tengren is an institutional investor that primarily focuses on equity investment.
Wuxi Lejin	Wuxi Lejin is a limited partnership established in the PRC and managed by its general partner Wuxi Lejin Investment Management Co., Ltd. (無錫樂金投資管理有限公司), which is ultimately controlled by GENG Shaofeng (耿韶峰), an Independent Third Party and one of our Pre-[**REDACTED**] Investors. All 17 limited partners of Wuxi Lejin are Independent Third Parties, with none of them holding more than one third partnership interest. As of the Latest Practicable Date, Wuxi Lejin was under voluntary winding-up procedures. As advised by our PRC Legal Advisors, such procedures do not affect the suitability of Wuxi Lejin as our Shareholder.
Xinding Capital	Xinfei Dingke is a limited partnership established in the PRC and managed by its general partner and private fund manager, Xinding Rongsheng, which is ultimately controlled by ZHANG Chi (張馳), an Independent Third Party. All five limited partners of Xinfei Dingke are Independent Third Parties. ZHANG Jun (章軍), being the largest limited partner of Xinfei Dingke, holds 42.80% partnership interest. None of the remaining limited partners of Xinfei Dingke holds more than one third of partnership interest.

Pre-[REDACTED] Investors	Backgrounds
	Xinding Kenge is a limited partnership established in the PRC and managed by its general partner and private fund manager Xinding Rongsheng. All five limited partners of Xinfei Dingke are Independent Third Parties. DENG Jianhua (鄧建華), being the largest limited partner of Xinding Kenge, holds 42.80% partnership interest. None of the remaining limited partners of Xinding Kenge holds more than one third of partnership interest. Each of Xinfei Dingke and Xinding Kenge is an institutional investor that primarily focuses on equity investment.
Suzhou Yueliang	Suzhou Yueliang is a limited partnership established in the PRC and managed by its general partner, DONG Shuhuai (董淑懷), an Independent Third Party. All four limited partners of Suzhou Yueliang are Independent Third Parties. Except for LI Min (李敏) and ZHAN Zitao (展梓濤), who holds 49.96% and 35.69% partnership interest, respectively, none of the remaining limited partners of Suzhou Yueliang holds more than one third of partnership interest. Suzhou Yueliang is an institutional investor that primarily focuses on equity investment.
Shengyuan Investment .	Shengyuan Investment is a limited partnership established in the PRC and managed by its general partner, namely Ms. ZHU Yuyu (an executive Director, deputy general manager and secretary of the Board of our Company). Shengyuan Investment has 13 limited partners. Except for Ms. KUAI Jingjing (a Supervisor) and Ms. WANG Wuda (an associate of Dr. LIANG), all the remaining limited partners of Shengyuan Investment are Independent Third Parties, with none of them holding more than one third of partnership interest.
Ms. CHEN Xiangyun . .	Ms. CHEN Xiangyun is an Independent Third Party. With a long-standing interest in our Company, Ms. CHEN made investment into our Company after meeting with our management and the investment in our Company is currently her only investment in the healthcare sectors. Apart from the investment in our Company, Ms. CHEN maintains a diversified portfolio including investments in renewable energy, cultural and creative industries, and other fields.

Pre-[REDACTED] Investors	Backgrounds
Xinxing Venture.	Xinxing Venture is a limited partnership established in the PRC and managed by its general partner and private fund manager, Guangzhou Emerging Industry Development Fund Management Co., Ltd. (廣州市新興產業發展基金管理有限公司), which is ultimately controlled by State-owned Assets Supervision and Administration Commission of Guangzhou Municipal People's Government (廣州市人民政府國有資產監督管理委員會). All eight limited partners of Xinxing Venture are Independent Third Parties, with none of them holding more than one third of partnership interest. Xinxing Venture is an institutional investor that primarily focuses on equity investment in the technology industry.
Zhiyuan Investment . . .	Zhiyuan Investment is a limited partnership established in the PRC. The general partner of Zhiyuan Investment is its fund manager Guangzhou Fruitful Venture Capital Fund Management Co., Ltd. (廣州豐碩創業投資基金管理有限責任公司) ("**Fruitful Investment**"), holding 0.5% equity interests in Zhiyuan Investment. The limited partners of Zhiyuan Investment are Guangzhou Emerging Industries Development Fund Management Co., Ltd. (廣州市新興產業發展基金管理有限公司) ("**Guangzhou Emerging Industries Development Fund**"), and Guangdong Hanxi Investment Co., Ltd. (廣東翰禧投資有限公司) ("**Guangdong Hanxi**"), holding 49.45% and 50.00% equity interests in Zhiyuan Investment, respectively.. Fruitful Investment is owned by LIN Guochun (林國春) and DAI Zhaoxia (戴朝霞), each an Independent Third Party, as to 80% and 20%, respectively. Guangzhou Emerging Industries Development Fund is ultimately owned by State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government (廣州市人民政府國有資產監督管理委員會) and Guangdong Provincial Department of Finance (廣東省財政廳), each an Independent Third Party, as to 90% and 10%, respectively.

Pre-[REDACTED] Investors	Backgrounds
	Guangdong Hanxi is wholly owned by Guangzhou Ms. Jiajia Trading Co., Ltd. (廣州市女士伽伽貿易有限公司), which is owned by YAN Suhua (顏蘇華) and ZHANG Haijie (張海捷), each an Independent Third Party, as to 70% and 30%, respectively. Zhiyuan Investment is an institutional investor that primarily focuses on equity investment.
Suzhou Wosheng	Suzhou Wosheng is a limited partnership established in the PRC and managed by its general partner ZHU Youning (朱幼寧), an Independent Third Party. All four limited partners of Suzhou Wosheng are Independent Third Parties. Except for SUN Ruzhong (孫汝忠) and CHEN Yueqiang (陳嶽強), who holds 42.13% and 38.20% partnership interest, respectively, none of the remaining limited partners of Suzhou Wosheng holds more than one third of partnership interest. Suzhou Wosheng is an institutional investor that primarily focuses on equity investment.
Shenzhen Gongying . . .	Shenzhen Gongying is a limited partnership established in the PRC and managed by its general partner and private fund manager, Shenzhen Hongshu Growth Investment Management Ltd. (深圳紅樹成長投資管理有限公司) ("**Hongshu Chengzhang**"). The largest shareholder of Hongshu Chengzhang is ZENG Xinghai (曾興海), an Independent Third Party, holding 60% of the equity interest. All six limited partners of Shenzhen Gongying are Independent Third Parties. Zhuhai Growth Gongying Venture Capital Fund (Limited Partnership) (珠海市成長共贏創業投資基金(有限合夥)), being the largest limited partner of Shenzhen Gongying, holds 76.67% partnership interest. None of the remaining limited partners of Shenzhen Gongying holds more than one third partnership interest. Shenzhen Gongying is engaged in the investment in healthcare industry. Its investment portfolios include, among others, Jiangsu Recbio Technology Co., Ltd. (江蘇瑞科生物技術股份有限公司), a company listed on the Stock Exchange (stock code: 2179) and Cathay Biotech Inc. (上海凱賽生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688065).

Pre-[REDACTED] Investors	Backgrounds
Mr. MI Jinyong	Mr. MI Jinyong is an entrepreneur and an Independent Third Party. Mr. MI made investment into our Company after meeting with our management directly and the investment in our Company is currently his only investment in the healthcare sectors.
Mr. GENG Shaofeng . .	Mr. GENG Shaofeng is an entrepreneur and an Independent Third Party. Mr. GENG made investment into our Company after meeting with our management directly and had investment experience in healthcare companies.

Note:

(1) According to the confirmation issued by CICC Generation Fund and CICC Biomedical Fund, even though with identical general partner and private manager, CICC Generation Fund and CICC Biomedical Fund conduct business operations and exercise their Shareholders' rights in our Company independently in accordance with their respective partnership agreements and relevant internal systems, without any acting-in-concert arrangement. In such case, CICC Generation Fund and CICC Biomedical Fund should not be considered as under common control.

Special Rights of the Pre-[REDACTED] Investors

According to the currently effective shareholders' agreement, the Pre-[**REDACTED**] Investors had been granted certain special rights. All such special rights granted to Pre-[**REDACTED**] Investors will be terminated upon [**REDACTED**] in accordance with Chapter 4.2 of the Guide except that the divestment right granted by certain members of the Single Largest Group of Shareholders has been terminated prior to the first submission of the [**REDACTED**].

Joint Sponsors' Confirmation

The Joint Sponsors confirm that the Pre-[**REDACTED**] Investments are in compliance with Chapter 4.2 of the Listing Guide.

[REDACTED]

The 67,968,609 H Shares to be converted from Unlisted Shares held by Suzhou Pyramid, Suzhou Meizhongrui, Suzhou Minmei, Suzhou Yuanchen, Suzhou Wolun, Meimin Investment and Shengyuan Investment, representing [**REDACTED**]% of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), will not be considered as part of the [**REDACTED**] as the aforesaid Shareholders are core connected persons of our Group or their respective close associate.

To the best of our Directors' knowledge, information and belief and having made all reasonable inquiries, save as disclosed above, none of the existing Shareholders (i) is a core connected person of our Group; (ii) has been financed directly or indirectly by a core connected person of our Group for the subscription of Shares; or (iii) is accustomed to taking instructions from a core connected person of our Group in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. Therefore, the 193,056,977 H Shares to be converted from the Unlisted Shares held by the other existing Shareholders will be treated as part of the [**REDACTED**] of our Company following [**REDACTED**] for the purpose of Rule 8.08 of the Listing Rules.

Assuming the [**REDACTED**] are allotted and issued to public Shareholders and the [**REDACTED**] is not exercised, it is expected that [**REDACTED**]% of our Company's total issued Shares will be held by the public upon [**REDACTED**].

MAJOR ACQUISITIONS AND DISPOSALS

During the Track Record Period, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

PREVIOUS LISTING PLANS AND REASONS FOR THE [REDACTED]

In February 2021, our Company submitted an application for listing of our Shares on the SSE STAR Market (the "**First A-Share Listing Plan**"). Neither the Shanghai Stock Exchange nor the CSRC, issued any comments on the aforementioned listing application. In view of the uncertain listing timetable and the active fundraising activities within the biotechnology sector on the Stock Exchange, our Company voluntarily withdrew the First A-Share Listing Plan in April 2021 and explored for the possibility of H-Share listing. In August 2021, we engaged the sponsors for the potential listing application on the Stock Exchange (the "**Previous H-Share Listing Plan**") while no listing application was submitted to the Stock Exchange. Following a thorough review of the then market conditions and taking into consideration of the revenue size generated by its commercialized products, as well as the relatively preliminary stage of the Previous H-Share Listing Plan, our Company decided not to pursue the Previous H-Share Listing Plan and shifted its focus back to the potential listing on the SSE STAR Market. Subsequently in June 2023, our Company submitted a listing application for listing of our Shares on the SSE STAR Market (the "**Second A-Share Listing Plan**", together with the First A-Share Listing Plan and the Previous H-Share Listing Plan, the "**Previous Listing Plans**"). None of the questions or comments raised by the Shanghai Stock Exchange or CSRC were related to any issue or incident that would have material adverse impact on the suitability for listing of our Company. In June 2024, we voluntarily withdrew the Second A-Share Listing Plan after considering, among others, the uncertain timetable for A-share listing and our needs to access to international capital market.

Our Directors consider that the Stock Exchange, as an internationally recognized and reputable stock exchange, can provide us with a good platform to access the international capital markets and expand our global business footprint, the [**REDACTED**] will provide us with the necessary funding to increase our competitiveness by assisting us to expand our operations and strengthen our business prospects, and the [**REDACTED**] on the Stock Exchange will raise our profile and market awareness of our brand name and present us with an opportunity to further expand our [**REDACTED**] base. Taking into account, among others, the aforementioned factors and the long-term business development strategies of our Group, our Directors consider the Stock Exchange to be a more suitable venue to access international equity markets, and the [**REDACTED**] will be in the best interests of our Company and our Shareholders as a whole.

Our Directors confirm that (a) the Company did not receive any material comments or inquiries from the CSRC or the Shanghai Stock Exchange that were not properly addressed; (b) they were not aware of any material matters relating to the Previous Listing Plans that might adversely affect our Company's suitability for [**REDACTED**] on the Stock Exchange; (c) there were no material disagreements between the Company and the then sponsors or any other professional parties; and (d) there are no other matters in relation to the Previous Listing Plans that should be brought to the attention of the Stock Exchange. Having taken into account the factors above and the independent due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would reasonably cause them to disagree with the Directors' view above.

OUR CAPITALIZATION

The below table is a summary of the capitalization of our Company as of the Latest Practicable Date and immediately upon completion of the [**REDACTED**] and the Conversion of Unlisted Shares into H Shares (assuming the [**REDACTED**] is not exercised):

	As of the Latest Practicable Date		Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		
			Number of Shares		
Name of Shareholder	Number of Shares	% as to the total issued share capital of our Company	H Shares	Unlisted Shares	% as to the total issued share capital of our Company
Members of our Single Largest Group of Shareholders					
– Suzhou Pyramid	26,129,045	7.0%	15,677,427(N)	10,451,618	[REDACTED]%
– Suzhou Meizhongrui .	23,964,547	6.5%	14,378,728(N)	9,585,819	[REDACTED]%
– Suzhou Minmei	21,063,828	5.7%	12,638,297(N)	8,425,531	[REDACTED]%
– Suzhou Yuanchen . . .	19,329,782	5.2%	11,597,869(N)	7,731,913	[REDACTED]%
– Suzhou Wolun	10,563,854	2.8%	6,338,312(N)	4,225,542	[REDACTED]%
FIIF	26,058,641	7.0%	26,058,641(P)	–	[REDACTED]%

	As of the Latest Practicable Date		Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		
			Number of Shares		
Name of Shareholder	Number of Shares	% as to the total issued share capital of our Company	H Shares	Unlisted Shares	% as to the total issued share capital of our Company
Oriza Funds					
– China–Singapore Venture	12,797,494	3.5%	12,797,494(P)	–	[REDACTED]%
– Jiequan Oriza	3,614,664	1.0%	3,614,664(P)	–	[REDACTED]%
Shanghai Sihongda	15,165,653	4.1%	–	15,165,653	[REDACTED]%
SL Pharmaceutical	15,165,653	4.1%	4,550,000(P)	10,615,653	[REDACTED]%
CMB Funds					
– Jiangsu CMB	13,545,187	3.7%	–	13,545,187	[REDACTED]%
– Nanjing CMB	120,490	0.0%*	–	120,490	[REDACTED]*
Lianyi Investment	12,048,878	3.2%	12,048,878(P)	–	[REDACTED]%
GTJA Investment Group					
– Shenzhen GTJA	6,024,439	1.6%	6,024,439(P)	–	[REDACTED]%
– Jiangsu GTJA	5,470,464	1.5%	5,470,464(P)	–	[REDACTED]%
CICC Generation Fund	11,338,248	3.1%	7,936,774(P)	3,401,474	[REDACTED]%
Meimin Investment	10,791,401	2.9%	6,474,841(N)	4,316,560	[REDACTED]%
GP Healthcare Capital Phase I	9,851,194	2.7%	9,851,194(P)	–	[REDACTED]%
Longmen Changfeng	9,205,620	2.5%	4,602,810(P)	4,602,810	[REDACTED]%
CICC Biomedical Fund	8,969,136	2.4%	6,278,395(P)	2,690,741	[REDACTED]%
Yuanming Capital	8,677,133	2.3%	8,677,133(P)	–	[REDACTED]%
Unique Classic Limited	8,434,214	2.3%	8,434,214(P)	–	[REDACTED]%
Suzhou Longmen Venture Capital					
– Longmen No. 1	6,024,439	1.6%	6,024,439(P)	–	[REDACTED]%
– Longmen Yusen	1,600,001	0.4%	1,600,001(P)	–	[REDACTED]%
CCBI Investment	7,364,496	2.0%	7,364,496(P)	–	[REDACTED]%
Finnova Funds					
– Yantai Duoying	3,614,664	1.0%	1,800,000(P)	1,814,664	[REDACTED]%
– Qingdao Finnova	3,614,664	1.0%	1,300,000(P)	2,314,664	[REDACTED]%
Shanghai Hanren	7,164,180	1.9%	7,164,180(P)	–	[REDACTED]%
Mild Investment					
– Changzhou Longcheng	2,904,067	0.8%	2,904,067(P)	–	[REDACTED]%
– Ningbo Yuanchuan	1,566,350	0.4%	1,566,350(P)	–	[REDACTED]%
– Guangzhou Yongping	1,106,582	0.3%	1,106,582(P)	–	[REDACTED]%
– Changzhou Yongjun	1,106,582	0.3%	1,106,582(P)	–	[REDACTED]%
Cornerstone Fund	6,024,439	1.6%	–	6,024,439	[REDACTED]%
Jinpu Merger Fund	5,532,910	1.5%	5,532,910(P)	–	[REDACTED]%
Shanghai Jianli	3,682,248	1.0%	3,682,248(P)	–	[REDACTED]%
Mengxi Venture	3,614,664	1.0%	3,614,664(P)	–	[REDACTED]%
Tianjin Yuanyi	3,614,657	1.0%	3,614,657(P)	–	[REDACTED]%

	As of the Latest Practicable Date		Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		
			Number of Shares		
Name of Shareholder	Number of Shares	% as to the total issued share capital of our Company	H Shares	Unlisted Shares	% as to the total issued share capital of our Company
Everest Ventures					
– Langma No. 18	2,289,283	0.6%	2,289,283(P)	–	[REDACTED]%
– Langma No. 17	1,325,374	0.4%	1,325,374(P)	–	[REDACTED]%
Boyuan Venture	3,319,747	0.9%	3,319,747(P)	–	[REDACTED]%
Yangtze River Delta Fund	3,319,747	0.9%	3,319,747(P)	–	[REDACTED]%
Feijun Investment					
– Changzhou Feijun	2,409,773	0.6%	2,409,773(P)	–	[REDACTED]%
– Guangzhou Feijun	843,420	0.2%	843,420(P)	–	[REDACTED]%
Qianhai Kangda	2,379,151	0.6%	2,379,151(P)	–	[REDACTED]%
Wosheng Huijia	2,213,165	0.6%	2,213,165(P)	–	[REDACTED]%
Taichu Investment	2,213,165	0.6%	1,106,583(P)	1,106,582	[REDACTED]%
Tengwu Investment					
– Yangzhou Tenglan	1,770,532	0.5%	1,770,532(P)	–	[REDACTED]%
– Changzhou Tengren	442,633	0.1%	442,633(P)	–	[REDACTED]%
Wuxi Lejin	1,841,124	0.5%	–	1,841,124	[REDACTED]%
Xinding Capital					
– Xinfei Dingke	1,196,731	0.3%	1,196,731(P)	–	[REDACTED]%
– Xinding Kenge	552,338	0.1%	552,338(P)	–	[REDACTED]%
Suzhou Yueliang	1,483,445	0.4%	1,483,445(P)	–	[REDACTED]%
Shengyuan Investment	1,438,558	0.4%	863,135(N)	575,423	[REDACTED]%
Ms. CHEN Xiangyun	1,204,884	0.3%	400,000(P)	804,884	[REDACTED]%
Xinxing Venture	1,106,582	0.3%	1,106,582(P)	–	[REDACTED]%
Zhiyuan Investment	1,106,582	0.3%	1,106,582(P)	–	[REDACTED]%
Suzhou Wosheng	644,393	0.2%	644,393(P)	–	[REDACTED]%
Shenzhen Gongying	394,030	0.1%	–	394,030	[REDACTED]%
Mr. MI Jinyong	210,612	0.1%	210,612(P)	–	[REDACTED]%*
Mr. GENG Shaofeng	210,610	0.1%	210,610(P)	–	[REDACTED]%*
Investors from the [REDACTED]	–	–	[REDACTED]	[REDACTED]	[REDACTED]%
Total	**370,780,387**	**100.0%**	**[REDACTED]**	**[REDACTED]**	**100.0%**

* [**REDACTED**]

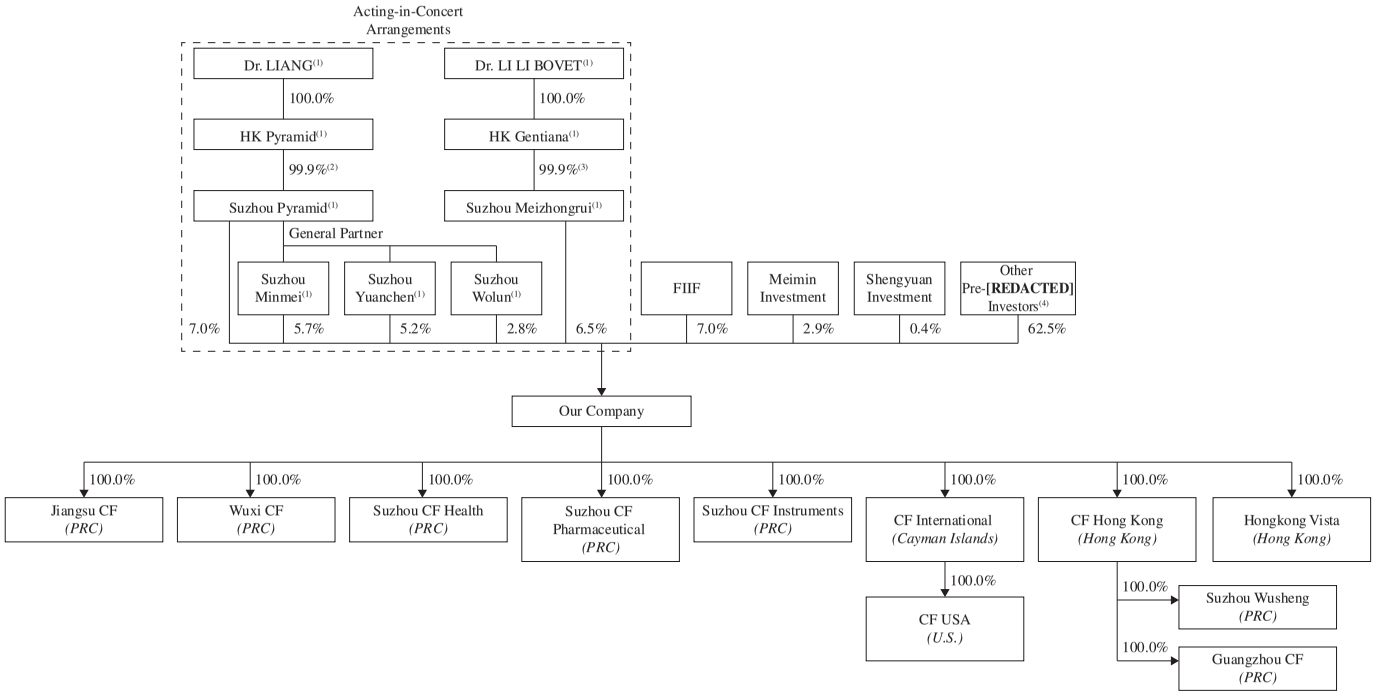
(P) denotes that such H Shares will be counted towards [**REDACTED**] upon [**REDACTED**].

(N) denotes that such H Shares will not be counted towards [**REDACTED**] upon [**REDACTED**].

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Immediately Prior to the [REDACTED]

The following chart sets forth our corporate and shareholding structure immediately prior to the [**REDACTED**]:



Notes:

(1) As of the Latest Practicable Date, Dr. LIANG (through HK Pyramid, Suzhou Pyramid, Suzhou Minmei, Suzhou Yuanchen and Suzhou Wolun) and Dr. LI LI BOVET (through HK Gentiana and Suzhou Meizhongrui) collectively held 27.2% shareholding of our Company. For details, see "— Acting-in-Concert" above and "Substantial Shareholders" in this document.

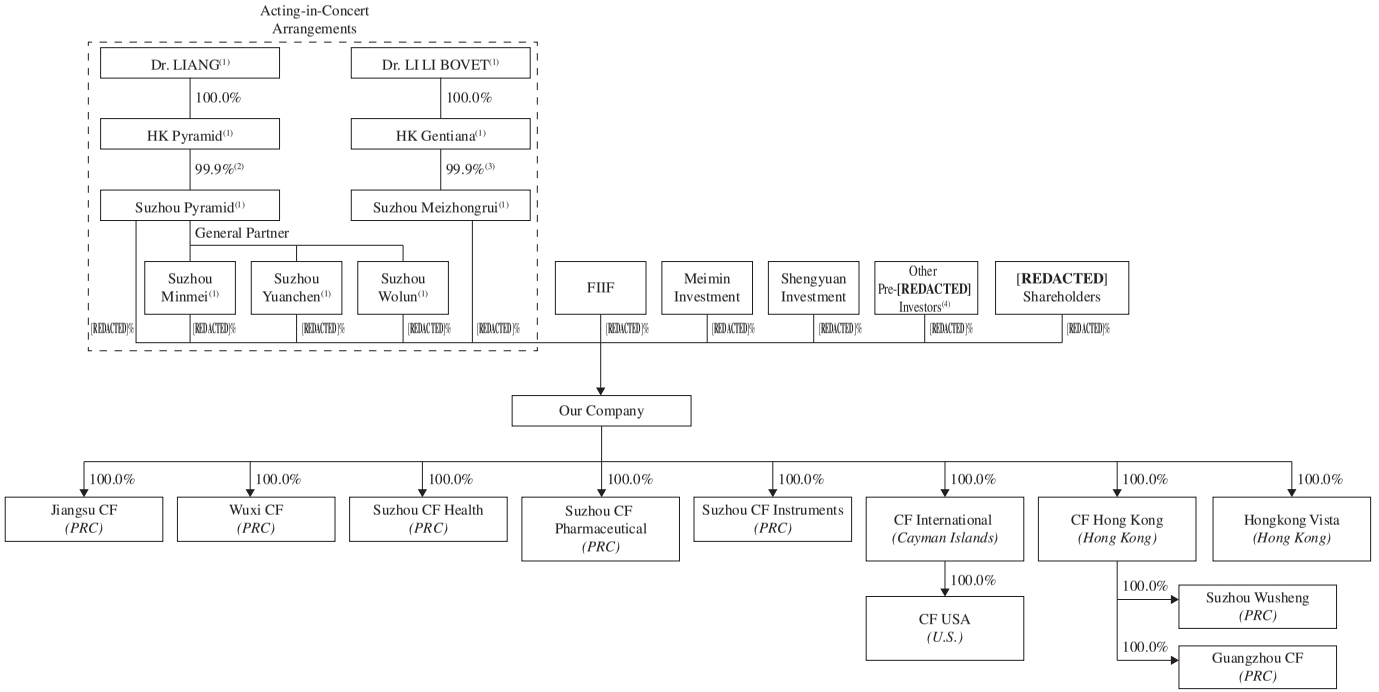
(2) As of the Latest Practicable Date, the remaining partnership interest of Suzhou Pyramid as to 0.1% was held by its limited partner, Ms. WANG Wuda (an associate of Dr. LIANG).

(3) As of the Latest Practicable Date, the remaining partnership interest of Suzhou Meizhongrui as to 0.1% was held by its limited partner, Ms. GAO Haiying (an associate of Dr. LI LI BOVET). Ms. GAO Haiying established Suzhou Meizhongrui with Dr. LI LI BOVET and subscribed for the 0.1% limited partnership interest in Suzhou Meizhongrui using her personal funds for investment purpose and became the limited partner of Suzhou Meizhongrui since then.

(4) Representing 52 other Pre-[**REDACTED**] Investors and each of them held less than 5.0% shareholding of our Company as of the Latest Practicable Date. For details, see "— Our Capitalization" above.

Immediately Upon Completion of the [REDACTED]

The following chart sets forth our corporate and shareholding structure immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised:



Notes:

(1) Immediately following completion of the [**REDACTED**], Dr. LIANG (through HK Pyramid, Suzhou Pyramid, Suzhou Minmei, Suzhou Yuanchen and Suzhou Wolun) and Dr. LI LI BOVET (through HK Gentiana and Suzhou Meizhongrui) will collectively hold [**REDACTED**]% shareholding of our Company. For details, see "— Acting-in-Concert" above and "Substantial Shareholders" in this document.

(2) As of the Latest Practicable Date, the remaining partnership interest of Suzhou Pyramid as to 0.1% was held by its limited partner, Ms. WANG Wuda (an associate of Dr. LIANG).

(3) As of the Latest Practicable Date, the remaining partnership interest of Suzhou Meizhongrui as to 0.1% was held by its limited partner, Ms. GAO Haiying (an associate of Dr. LI LI BOVET).

(4) Representing 52 other Pre-[**REDACTED**] Investors and each of them held less than 5.0% shareholding of our Company immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised. For details, see "— Our Capitalization" above.

OVERVIEW

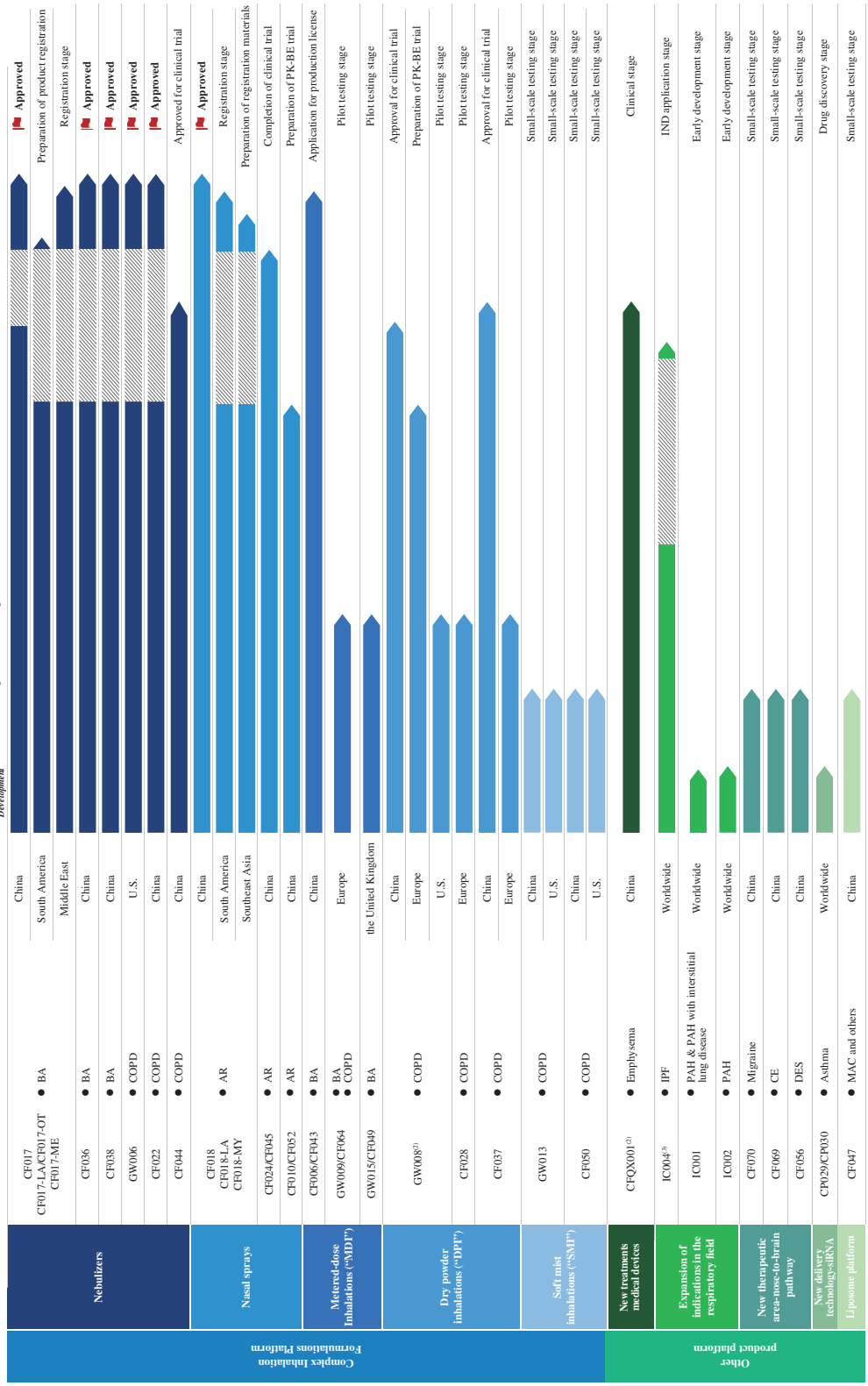
Who We Are

We are primarily focus on the R&D, manufacturing and commercialization of inhalation technologies and inhalation drugs, with a focus on treating respiratory diseases. We have developed a product portfolio with a broad coverage of patients, medical specialties, and therapeutic areas. Our products strategically benchmark global blockbuster drugs, covering four of the top ten inhalation drugs worldwide in 2024 with a total sales revenue of US$4.1 billion. Moreover, we develop novel patient-centric therapeutics to treat some of the most serious respiratory and pulmonary diseases.

Our first-approved product CF017, a budesonide suspension for inhalation targeting bronchial asthma (China's highest-selling inhalation drug category), marked our first approved product. Following the approval in May 2021, CF017 was rapidly included in China's volume-based procurement (VBP) scheme and has achieved market growth. During the Track Record Period, we relied heavily on the sales of CF017, with its sales revenue representing 96.2%, 98.4%, and 94.5% of our total revenue in 2022, 2023 and 2024, respectively. In 2024, CF017 accounted for approximately 16% of China's budesonide inhalation drug market in terms of sales volume, CF017's successful commercialization has enabled us to enjoy significant revenue growth from RMB349.1 million in 2022 to RMB607.8 million in 2024 at a CAGR of 31.9%.

We have obtained six product approvals and achieved commercialization success during the Track Record Period, demonstrating our capabilities across clinical development, manufacturing, regulatory affairs and commercialization. More importantly, we have reached new heights in our business as we begin to generate returns on our R&D investment. This enables us to reinvest in our pipeline with several products under late-stage clinical trials or PK-BE trials, approaching registration and commercialization in the near future.

Today, we are advancing the global development of over 20 product candidates in major markets including China, U.S. and/or Europe, as well as emerging markets, such as Southeast Asia and South America. We are also developing new treatment methodologies, such as EBV, and developing potential first-in-class or first-in-China treatments for diseases that have a significant impact on patient lives, such as IPF and PAH. Our research also explores novel formulations, such as liposomes and siRNA inhalation formulations, and expands into new disease areas, including CNS disorders and anti-infectives.



Notes:

(1) BA: bronchial asthma; COPD: chronic obstructive pulmonary disease; AR: allergic rhinitis; IPF: idiopathic pulmonary fibrosis; PAH: pulmonary arterial hypertension; CE: cluster epilepsy; DES: dry eye syndrome; MAC: mycobacterium avium complex

(2) Process validation has not yet completed

(3) Process validation is not required

Our global vision drives our business, backed by scalable manufacturing and proven commercialization strategies. Our facilities, compliant with regulations in our major markets, China, U.S., and Europe, coupled with team's group expertise in the U.S. pharmaceutical industries, laid down the foundation to explore global market via direct or technical service collaborations, which was validated by the successful FDA approval of GW006 in May 2024. Our marketing system and highly experienced team have propelled our first marketed product, CF017 to cover over 10,000 medical institutions in China since its approval in 2021. Our CF018 has also penetrated over 500 hospitals and medical institutions across multiple provinces, boosted by its inclusion in the 2023 NRDL. We are actively expanding our global commercial presence, with strategic cooperation in place for our launched products in South America, the Middle East, and Southeast Asia.

Our Market Opportunities

The global respiratory drug market is vast, driven by the increasing prevalence of respiratory diseases such as asthma, COPD and allergic rhinitis. It is estimated that nearly 2.5 billion people worldwide are living with chronic respiratory diseases today, and this number is expected to grow due to factors such as air pollution, smoking, and an aging population. The global respiratory drug market size was valued at US$99.9 billion (approximately RMB729.2 billion) in 2024, and it is projected to reach US$157.2 billion (approximately RMB1,147.4 billion) by 2033, growing at a CAGR of 5.2%. China, with its large population, accounts for a sizeable share of the global market, and yet has lower diagnosis and treatment rates than countries such as the United States, indicating substantial growth potentials.

Compared to other formulation types, complex inhalation formulations are highly challenging to develop and manufacture, where the interplay of numerous factors affect the ability of the product to achieve an optimal therapeutic outcome. These factors originate from four major aspects, namely, the drug formulation, the delivery device, the patient and the environment. The chemical and physical properties of drug microparticles must be carefully engineered, then delivered in minute yet precise doses to the lungs using a compatible device that is specially designed to ensure optimal particle distribution, flow dynamics and dispersion patterns.

As a therapeutic class, complex inhalation formulations are well-established as the most effective treatment for respiratory diseases, offering targeted delivery and superior clinical benefits compared to many other treatment options. Due to their complexity and challenges, inhalation formulations have a high entry threshold, with only a handful of established players succeeding in building out fully-fledged inhalation formulation platforms. The technology expertise of these rare few players propels them forward in this specialized field, with potential to capture substantial market share and deliver life-changing medicines for respiratory diseases.

Our Inhalation Formulation Development Capabilities

Inhalation formulations are often described as drug-device combinations because they integrate pharmaceutical compounds with specialized delivery mechanisms (such as inhalers, nebulizers, or aerosol devices) that are essential for accurately targeting medication to the respiratory tract and achieving therapeutic efficacy. The intricate and multifactorial nature of drug-device combinations like inhalation formulations requires us to master technologies and capabilities across multiple disciplines, especially to cover major types of formulations. Over the years, we have developed five technology platforms, which we believe encompass the most critical aspects in inhalation formulation development and serve as the foundation of our pipeline R&D.

- ***Particle engineering***. It is a cornerstone of successful inhalation formulations. Our particle engineering platform enables us to control every aspect of a drug particle, from its size, shape, density, surface characteristics, all of which can impact its delivery to the lungs. For example, our particle engineering technologies controls drug particle size within the optimal range, striking the perfect balance between deep lung delivery and minimal upper airway deposition. Our proprietary techniques allow us to create uniform, stable, and high-performance particles tailored to each formulation's specific requirements.

- ***Device design***. Our devices are a testament to our scientific expertise, engineering prowess, and patient-centric design philosophy. We design devices that fit in the palm of your hand, where a complex network of over 30 components works in perfect harmony to deliver drug particles to the deepest recesses of the lungs with micron-level precision. We have developed major device design technologies, such as CFD modeling, aerosol generation and precision dose metering, to optimize particle distribution, trajectory, and dose calibration. The result is a range of devices that are not only bioequivalent to marketed products but also set new standards in terms of portability, affordability, and ease of use for patients of all ages and abilities.

- ***Product performance evaluation.*** As a drug-device combination product, it is crucial to design performance testing methodologies and parameters to evaluate the performance of the inhalation formulation products. Our testing platform bridges the gap between laboratory testing and clinical performance, ensuring the safety and efficacy of our inhalation formulations prior to clinical use. We employ a suite of technologies, including cascade impaction, breathing simulators, dissolution testing, imaging techniques, pulmonary function tests, and biomarkers, to rigorously assess the PK, PD, and safety of our products in animal models. This testing enables us to optimize our formulations and validate product performance prior to clinical trials.

- ***Clinical development***. Compared to oral and other formulation types, inhalation formulations are subject to more stringent and complex clinical development requirements across regulatory authorities in all major jurisdictions, including the FDA, EMA and NMPA. Local delivery in inhalation formulations also presents challenges in clinical trial design and management. We have developed clinical development expertise to navigate the complex landscape of inhalation formulations, from designing and managing large-scale clinical trials, controlling variability in patient factors and device use, and ensuring compliance with regulatory standards. To support clinical development, we have built a regulatory affairs team and a multidisciplinary team of scientists, clinicians, and statisticians for efficient trial design, patient recruitment, and data collection and analysis.

- ***Process engineering***. We have been able to translate lab-scale formulations into commercially viable, industrial-scale manufacturing processes. Our expertise in process engineering allows us to design, optimize, and validate manufacturing processes that consistently deliver products, even as batch sizes increase from grams to tons. By leveraging statistical tools like design of experiments (DoE) and quality by design (QbD), coupled with process analytical technology, we ensure tight control over critical quality attributes, such as particle size distribution, powder flow, and dose uniformity, setting new benchmarks in the industry.

COMPETITIVE STRENGTHS

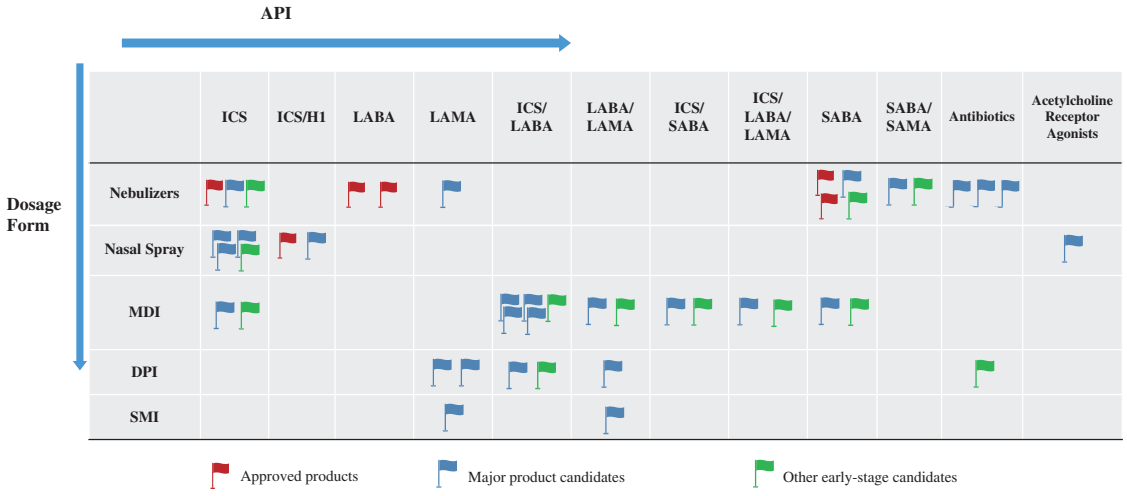
Focus on the R&D, manufacturing and commercialization of inhalation technologies and inhalation drugs with a broad product portfolio to treat respiratory diseases and beyond

We primarily focus on the R&D, manufacturing and commercialization of inhalation technologies and inhalation drugs, with a focus on treating respiratory diseases. We began our journey over 16 years ago as one of the few companies taking a pureplay strategy in inhalation formulation. We have accumulated a wealth of formulation expertise that few in the industry can rival, built upon years of iterative advancement in inhalation formulation technology. Today, we boast a product portfolios in the world with a broad coverage of patients, medical specialties, and therapeutic areas.

The global respiratory drug market size was valued at US$99.9 billion (approximately RMB729.2 billion) in 2024, driven by the increasing prevalence of respiratory diseases such as asthma, COPD and allergic rhinitis. It is estimated that nearly 2.5 billion people worldwide are living with chronic respiratory diseases today, a number that is expected to grow due to factors such as air pollution, smoking, and an aging population. Inhalation formulations are extremely difficult to develop. As a result, there are only a handful of players in the global market and even fewer capable of covering a full spectrum of formulations.

Despite the significant patient population, there remains substantial unmet needs in the treatment of respiratory diseases, including improving medication adherence, achieving better symptom control, reducing the frequency and severity of acute exacerbations, and addressing the challenges of severe or refractory cases. The key to resolving these issues lies in the innovation of formulation technologies. Over the years, inhalation formulations such as DPIs, nebulizers and SMIs have been developed. These new formulations have not only improved treatment of existing patients, but also provide therapeutic options for underserved populations, including children, the elderly, and patients with respiratory difficulties, that previously lacked effective treatment.

We are positioned as one of the few companies with a broad product portfolio, mastering major inhalation formulations and meeting the diverse needs of patients and healthcare providers. The following table sets forth our marketed and pipeline products by formulation and drug API.



We believe our formulation technologies and product portfolio create a deep competitive moat that will continue to secure our position in the inhalation formulation industry. Our extensive expertise and wide-ranging capabilities provide us with several key advantages that set us apart from our competitors:

- ***Accelerated innovation through faster technology iteration***. Our deep understanding of various formulation technologies allows us to iterate and innovate at a faster pace. As we develop new products and improve existing ones, we accumulate valuable knowledge and experience that can be applied across our entire portfolio. This snowball effect has enabled us to stay ahead of the curve and maintain our position in the global innovation of inhalation formulation products.

- ***Cross-specialty coverage***. Inhaled medicines are used by various medical specialties, including pulmonology, immunology, pediatrics, internal medicine, emergency, rhinology and critical care medicine. Our diverse range of inhalation formulations effectively meets the needs of healthcare providers across multiple specialties. By providing solutions for a wide array of respiratory conditions, we establish collaborative relationships with hospitals and clinics, facilitating cross-selling opportunities and strengthening our presence in the healthcare system.

- ***Operating efficiencies***. Our approach to inhalation formulations allows us to achieve significant operating efficiencies. By sharing expertise and resources across different formulation types, we optimize our research and development efforts, reduce costs and accelerate time-to-market. The knowledge gained from one formulation can often be applied to others, enabling us to streamline our processes and maximize the impact of our investments.

- ***Industry prominence and share of voice***. As we continue to expand our product portfolio and demonstrate our expertise across multiple formulation technologies and multiple medical specialties, we solidify our position as a prominent player in the industry. Our product offerings and deep understanding of the market will allow us to shape industry trends and influence decision-making. This heightened visibility and credibility will further enhance our competitive advantage and help us maintain our market position in the inhalation formulation space.

Leveraging these competitive advantages, we are driving innovation in the inhalation formulation space. By pushing the boundaries of inhalation formulation technology, we aim to not only provide life-changing therapies to patients across a broad spectrum of respiratory and non-respiratory conditions but also expand our market reach and cement our position as a prominent global player.

Technology foundation that solidifies competitive advantages and drives innovation

In the highly complex inhalation formulation field, we believe that technology capabilities are the paramount factor for success. With over 16 years of specialization in this field, we have mastered multiple key disciplines that address key challenges and pain points in formulation development. These expertise and know-how form our inhalation formulation technology system, encompassing the development of all major types of inhalation formulations across the entire product lifecycle, from formulation design and pre-clinical testing to clinical studies, regulatory affairs and commercial-scale manufacturing.

Our technology platforms are the foundation of our pipeline, and the driving force behind our R&D endeavors of inhalation formulations. From established formulations such as DPIs, nebulizers and SMIs, to novel formulations such as liposomes and siRNA, from respiratory diseases to CNS conditions and anti-infectives, our technology platforms will enable us to rapidly iterate and advance at the industry.

- ***Particle engineering*** is the cornerstone of successful inhalation formulations. Compared to other routes of administration, drug delivery via the lungs demands heightened control of the drug particle. Every attribute, from particle size, shape, density, and surface characteristics, can critically impact drug effectiveness, thus adding layers of complexity to the formulation development process. These properties must be precisely engineered on a micron scale and maintain uniformity and stability across time and varied environments. We have developed a suite of particle engineering technologies, including micronization, spray drying, controlled crystallization, to engineer the exact type and form of drug particles needed for different inhalation formulations. Our extensive particle engineering expertise is substantiated by our six approved products, showcasing our ability to navigate the complexities of inhalation formulation development.

- ***Device design*** is a crucial and complex component that requires a combination of scientific expertise, engineering skills, and patient-centric design. The intricacy of delivery systems extends to their materials and formulation stability, necessitating the use of biocompatible components to prevent reactions with the medication. Within these compact devices, a sophisticated network of air passages, valves, and nozzles is engineered to consistently deliver drug particles with micron-level precision to the deepest areas of the lungs, while remaining portable, affordable, and intuitive for patients of all ages and abilities. To meet these challenges, we have developed technologies, including CFD modeling, aerosol generation, and dose metering technologies, to optimize particle distribution, trajectory, and dose calibration. Our devices are patent-protected and bioequivalent to marketed products, showcasing our technological prowess and commitment to quality.

- ***Product performance evaluation*** is crucial in bridging the gap between laboratory testing and the clinical performance of inhalation formulations. Unlike oral or injectable formulations, as a combination of inhalation device and API, inhalation products navigate the complex anatomy and physiology of the respiratory tract while accounting for various patient and environmental factors. We have developed a testing platform that incorporates technologies such as *in vitro-in vivo* correlation (IVIVC) studies, cascade impaction, breathing simulators, and dissolution testing to simulate respiratory conditions. Additionally, we utilize a range of imaging technologies, pulmonary function tests, and biomarkers to assess pharmacokinetics, pharmacodynamics, and safety in both animal models and humans. These tests generate reliable data to ensure that our products are safe and effective, while also enabling us to validate our formulations prior to clinical trials.

- ***Clinical development*** for inhalation formulations is far more complex and stringent compared to other formulation types. Local delivery in inhalation formulations presents challenges. For example, variability in patient inhalation techniques can affect drug deposition, making it challenging to control dosage consistency. The potential for irritation or adverse reactions in the delicate lung tissues necessitates meticulous monitoring and control measures during trials. These complexities demand stringent protocols, and close supervision, all of which contribute to the

intricacy of clinical trials for inhalation formulations. As a result of these complexities, large-scale human clinical trials, often involving over 500 patients, are required to demonstrate bioequivalence due to the inherent variability in patient factors and device use. Inhalation formulations also demand additional studies, such as local and systemic safety assessments, device usability tests, intricate PK/PD studies, and long-term safety and efficacy evaluations. Our team has honed its expertise in navigating these challenges, designing and managing large-scale clinical trials, controlling variability, and ensuring regulatory compliance. We have assembled a multidisciplinary team of scientists, clinicians, statisticians, and regulatory affairs experts to streamline trial design, patient recruitment, and data collection and analysis, allowing us to enjoy competitive advantages in inhalation formulation development.

- ***Process engineering*** to translate a lab-scale inhalation formulation into a commercially viable, industrial-scale manufacturing process in a cost-effective manner presents a formidable challenge. Small variations in the manufacturing process can impact critical quality attributes, such as particle size distribution, powder flow, and dose uniformity, especially as batch sizes increase from grams to kilograms or tons. The complexity of these formulations often requires precise ratios of APIs and excipients, which can vary in compatibility and behavior at scale. To address these challenges, we utilize statistical tools such as design of experiments (DoE) and quality by design (QbD) to identify and control critical process parameters. We also implement process analytical technology to monitor and control the manufacturing process in real time.

A broad product portfolios to address needs for the majority of patients and healthcare providers in respiratory diseases and beyond

We have developed a product portfolio with a broad coverage of patients, medical specialties, and therapeutic areas. Over the past 16 years, we have taken a strategic phased approach in inhalation drug development, starting with established inhalation formulations that deliver maximum clinical impact to large patient populations or address major unmet needs. As we build up our technological foundation, in recent years, we have commenced a second phase of product development focused on emerging formulations, novel disease areas, new treatment methodologies and potential first-in-class or first-in-China treatments. Today, our portfolio includes six products approved by the NMPA or FDA, as well as over 20 in global development for major markets including China, U.S. and/or Europe, as well as emerging markets, such as Southeast Asia and South America, several products under late-stage clinical trials or PK-BE trials, approaching registration and commercialization in the near future.

The first phase of our product development has been a momentous period in our business. We strategically focused on developing products that benchmark global blockbuster inhalation products. Through developing these products, we have built a technology and capability foundation that spans all inhalation formulations. This foundation has led to a remarkable increase in our R&D efficiency. Since our first product approval in 2021, we obtained five additional product approvals in the past three years, including one with the FDA. These products serve as a powerful testament to our capabilities across R&D, manufacturing, and

commercialization. More importantly, they signify a new level of maturity in our business as we begin to generate returns on investment, allowing us to reinvest in our future success and drive further innovation in the inhalation formulation space.

Details of the major approved products and product candidates in our first phase of product development include:

- ***CF017*** is our first approved product, receiving approval from the NMPA in May 2021. As the front-line treatment for bronchial asthma, budesonide suspension for inhalation was the highest selling inhalation drug in China in 2024, generating an aggregate sales revenue of RMB5.8 billion that year. Within one month of NMPA approval, CF017 was included in the VBP list for eight provinces in China. Since then, it has achieved significant sales revenue growth, increasing from RMB335.9 million in 2022 to RMB547.8 million in 2023 and further to RMB574.5 million in 2024. As of the Latest Practicable Date, we had penetrated over 10,000 hospitals and medical institutions and captured a market share of approximately 16% in 2024 in terms of sales volume in China.

- ***CF018*** is the first azelastine hydrochloride and fluticasone propionate nasal spray approved for allergic rhinitis in China. Notably, our product was approved in November 2022, eight months before the originator drug was approved, by leveraging our deep technological expertise. We believe our products were able to approved before the originator drug primarily because we are more familiar with the regulatory pathway in China, enabling us to expedite the registration approval process. As advised by F&S, it is not uncommon in China that generic drugs are approved before the originator drug by the NMPA, considering that local manufacturers normally are equipped with more profound knowledge and expertise in regulatory pathway in China. Allergic rhinitis has a prevalence of approximately 245.5 million in China in 2024, with a diagnosis rate of only about 28.8% and treatment rate of only 28.3% compared to 46.7% and 40.0%, respectively, in the United States. Compared to the existing single-compound formulations available in China, our formulation combines both the allergy control properties of azelastine hydrochloride with the anti-inflammatory effects of fluticasone, with the potential to become the mainstay treatment for moderate to severe allergic rhinitis. Since its inclusion in the NRDL in December 2023, our CF018 has penetrated over 500 hospitals and medical institutions with significant commercial upside.

- ***CF006/CF043*** is a front-line salmeterol/fluticasone aerosol for both bronchial asthma and COPD, for which we have completed a registration clinical trial and was preparing its product registration materials in China. In 2024, this drug was the fourth highest selling inhalation drug in China and fourth highest globally, respectively, with a sales revenue of RMB1.8 billion and US$1.4 billion (approximately RMB10.2 billion), respectively. To date, the only salmeterol/fluticasone MDI approved in China is the originator drug and we are the

only other developer in clinical trial. We believe we will have significant market advantages given the white space market, as well as the MDI formulation's inclusion in the treatment guidance for its clinical benefits in asthma control.

- ***GW008/GW013*** is a LAMA for the treatment of COPD, for which we are developing for China, the United States and European markets. Since the originator drug's approval in 2004, it has been one of the best-selling COPD drugs globally, generating an aggregate revenue of US$2.4 billion (approximately RMB17.5 billion) in 2024. We are developing a DPI formulation tiotropium bromide for the China, United States and European market, and have commenced clinical trial in China in 2024. With know-how and insights from developing this candidate, we are also developing a soft mist version to improve patient compliance and convenience, which is a white space market with only the originator drug approved worldwide. We have designed a proprietary SMI, representative of our soft mist formulation technology platform.

Beyond our first phase of inhalation products, we are also driving global innovation in treating some of the most serious respiratory and pulmonary diseases through novel inhalation formulations. Leveraging our extensive insights and experience, we are pushing the boundaries of inhalation formulations from local delivery to systemic delivery. Through these efforts, we aim to provide life-changing therapies for patients across a broad spectrum of respiratory and non-respiratory conditions, while also expanding our market reach and cementing our position as a prominent player in the industry.

- ***Respiratory indications:*** We are designing new chemical entities for potential best-in-class treatments for pulmonary conditions that significantly impact patient lives, such as IPF and PAH. Both IPF and PAH are progressive diseases that have a significant impact on quality of life. In 2024, there were approximately 133.8 thousand IPF patients and 86.6 thousand PAH patients in China. Currently, none of the available treatments for IPF and PAH are curative. First-line treatments, antifibrotic medicine for IPF and vasodilator therapies for PAH, are associated with side effects and varying effectiveness in patients. As an inhalation formulation would directly deliver the drug to the lungs, we believe they could potentially have reduced systemic side effects and become the front-line treatment for these diseases.

- ***Treatment methodologies:*** We are developing new treatment methodologies, including CFQX001 to treat respiratory diseases such as severe emphysema. As an advanced form of COPD, severe emphysema most commonly results from smoking which destroys the alveoli in the lungs, causing reduced lung function, chronic shortness of breath, low blood oxygen levels and progressive lung hyperinflation. Currently, disease management mainly involves bronchodilators and ICS to manage symptoms, pulmonary rehabilitation, or oxygen therapy. We are developing an endobronchial valve that can be implanted through minimally-invasive surgery to reduce hyperinflation, improving breathing and enhancing the function of healthy lung tissue.

- ***Formulations:*** We are exploring novel formulations, such as liposomes, and developing a liposome suspension candidate, to further expand our inhalation formulation pipeline portfolio for the treatment of MAC lung disease, a type of lung disease which is more prevalent among elderly population, with a five-year mortality greater than 25%. While antibiotics are the first-line treatment for MAC, they require prolonged use of 12 to 18 months and therefore can lead to resistance and low treatment compliance. Moreover, there may be higher risk of drug-drug interactions (DDIs), especially in the elderly population. Amikacin, a novel drug treating MAC disease has a differentiated mechanism of action, however, due to its toxicity level, the injection formulation can cause severe side effects such as kidney damage and is inconvenient given the regular injections needed. By encapsulating amikacin in a liposome, it can enable targeted delivery to specific tissues, controlled release of the drug and protection from degradation. As such, liposomal formulations can significantly reduce off-target effects, maintain therapeutic levels more effectively, and potentially allow for lower doses of the drug, thereby minimizing systemic toxicity and enhancing its safety and efficacy profiles.

- ***Delivery technology:*** We are developing siRNA therapies in inhalation formulations for delivery to the lung, which has long been a major technological challenge. RNA technology can potentially redefine the treatment landscape for respiratory diseases, with the ability to target genes or pathways that underlie the disease, in contrast to most existing treatments that only treat the symptoms. By addressing disease-causing mechanisms, siRNA therapy could modify the course of disease and achieve more sustained disease control. To date, there are no approved siRNA inhalation drugs globally. We are currently exploring opportunities to adopt siRNA technologies for the treatment of chronic respiratory diseases, with an aim to developing first-in-class siRNA inhalation drugs globally.

- ***Therapeutic pathway:*** We believe inhalation formulations have significant potential in other therapeutic areas. In recent years, the nose to brain pathway has gained significant popularity in the field of inhalation formulation. This pathway involves the direct transport of substances from nasal cavity to the brain, bypassing the blood-brain barrier and offering a non-invasive route for delivering therapeutics to the central nervous system. This pathway offers advantages in enhancing drug targeting and efficacy in treating various CNS disorders. We are currently developing two inhalation drugs for CNS diseases, including a calcitonin gene-related peptide (CGRP) receptor antagonist nasal spray for the acute treatment of migraine headaches and a diazepam nasal spray for acute treatment of seizure clusters. As nasal sprays, our CNS inhalation formulation drug candidates can bypass the slower gastrointestinal absorption of oral drugs, provide rapid relief and are easier and more convenient to administer. In addition, we are also developing CF056 for dry eye syndrome. It can bind certain receptors in the nose and activate a specific nerve pathway that increases the amount of tear film produced by the eye.

Scalable manufacturing capabilities while ensuring quality control

Transforming a lab-scale inhalation formulation into a commercially viable, industrial-scale manufacturing process is a challenging endeavor. With over 16 years of experience, we have developed a manufacturing system that employs techniques and expertise to produce high-quality inhalation formulations. This capability gives us a significant competitive advantage, which is further enhanced by significant in-house capacity, an integrated supply chain, and quality control standards.

- ***Scalable formulation manufacturing.*** We have developed scalable manufacturing capabilities across major inhalation formulation types, including formulations such as SMI. Given the nature of certain of our formulations, we have worked closely with long-time equipment suppliers to develop bespoke production equipment. Our broad manufacturing know-how allows us to persistently refine and optimize our manufacturing processes for diverse inhalation formulation types, thereby boosting manufacturing efficiency and ensuring consistent quality across our product lines.

- ***Significant in-house capacity.*** We are committed to in-house manufacturing to ensure product quality. To date, our facilities boast a production capacity with across all major formulation types, including 240.0 million vials of suspension nebulizers, 50 million vials of solution nebulizers, 4 million canisters of nasal sprays, 2 million canisters of MDI products and 24 million doses of DPI products per year, and we have earmarked space in our manufacturing base for capacity expansion. Upon completion of this expansion, we will have a significantly enhanced manufacturing capacity, with an annual manufacturing capacity of 575 million vials of nebulizers in suspension or solution forms, 19 million canisters of nasal sprays, 14 million canisters of MDI products, 24 million doses of DPI products and 600 thousand liposome products, which will be crucial as we ramp-up sales of approved products and obtain new product approvals in the coming years.

- ***Proven industrial scale-up capability.*** We have accumulated extensive in-house manufacturing expertise in designing and calibrating our facilities. With the approval of six products in two formulation types, we have gained the recognition of major regulatory authorities, such as the FDA and NMPA. Our manufacturing system has been tested and validated by industrial-scale production, especially to meet the significant product demand as our products qualify for GMP standards, U.S. Pharmacopeia and EU Pharmacopeia standards. As we scale production, we have realized efficiencies that increase affordability of our products.

- ***End-to-end supply chain management.*** We implement an end-to-end supply chain management approach that covers all key stages of our process. We source raw materials exclusively from a select group of qualified suppliers, conducting thorough tests and site audits to ensure their quality. By maintaining long-term relationships with these key suppliers, we enhance the efficiency and stability of our supply chain, ensuring quality assurance and the agility to meet market demand promptly.

- ***Quality control system.*** We implement a quality control and quality assurance system that ensures product quality in key areas of the development lifecycle meets the best practice requirements across the globe, including the United States and Europe. Within the development lifecycle, we are building a quality assurance platform with extensive testing and validation procedures and equipment tailored across formulations that few in the industry can rival. This approach ensures compliance with regulatory frameworks across various regions, establishing a reliable pathway for the global commercialization of our products.

Global commercialization strategy with a proven track record

Our ultimate goal is to provide accessible inhalation drugs that meet the needs of large patient population. With this in mind, our commercialization strategy starts with identifying medicines that bridge treatment gaps for large patient populations, or significantly improve patient quality of life. As we develop these drugs, we formulate tailored market strategies that have proven effective during the Track Record Period. Our revenue has increased from RMB349.1 million in 2022 to RMB556.4 million in 2023, and further increased to RMB607.8 million in 2024.

For our first phase of drug development, we primarily focus on established inhalation drugs that have limited availability in China, such as our CF018, which was the first of its kind approved for allergic rhinitis in China, even before the originator drug. For products like this, we center our commercialization strategy on hospital penetration through various government-funded programs, conducting physician and patient education, and building up a sales network of outpatient pharmacies, specialty clinics, and e-commerce platforms. For products like CF017, for which market demand exists despite a few of its kind already approved, we aim to leverage programs such as the VBP to rapidly broaden market reach. We believe our scalable and synergistic manufacturing capabilities have enabled cost efficiencies that were crucial in inclusion negotiations.

We are also actively monitoring the competitive landscape for other product candidates we have, with an aim to ensure our products, once approved, to be able to enjoy the benefits from these government-funded programs once approved. Further, we are also formulating different strategies, such as combo therapies in clinics, which enable us to enjoy significant competitive advantages.

We are also preparing the market in anticipation of our emerging inhalation drugs, with a primary focus on extensive market research and analysis as we design and develop these products with a patient-centric approach. At the same time, we are actively participating in industry conferences, publishing in academic journals and collaborating with industry leaders to highlight our technological advancements and the potential benefits of our drug candidates.

Positioned with a global vision, we are expanding our presence in international markets to fully realize the commercial potential of our products. We have obtained FDA approval for our GW006 and are strategically developing several products for the European and U.S. markets. Additionally, we are exploring opportunities to collaborate with partners in various emerging markets, including South America, Middle East and Southeast Asia, to drive local commercialization.

Multi-disciplinary inhalation formulation team led by seasoned management team with global expertise and strong shareholder support

The advancement of inhalation formulations necessitates a collaborative R&D endeavor drawing expertise from various disciplines including pharmacology, chemistry, and engineering. Over the years, we have cultivated a multi-disciplinary team comprising more than 600 skilled professionals dedicated to inhalation formulations, covering essential technical aspects in this domain. This cohesive inhalation formulation team has empowered us to fortify an unmatched strategic advantage within this sector.

Our multi-disciplinary inhalation formulation team is led by a seasoned management team that has steered our business direction and strategy since our inception. Our success is largely attributed to our visionary core leadership team, whose complementary expertise in R&D, manufacturing, commercialization, and entrepreneurship have been the foundation of our achievements. Our core scientific team primarily consists of:

- ***Dr. LIANG***, our co-founder, chairperson of the Board and chief executive officer of our Company, has steered our Company since its inception while playing a pivotal role in our R&D team. Dr. LIANG spearheads the screening of novel inhalation compound targets and oversees early-stage drug efficacy validation. Notably, Dr. LIANG brings strong business acumen, industry insights and experience in entrepreneurship and investment. Dr. LIANG holds a Ph.D. in molecular and cell biology from the University of Massachusetts and master of business administration from the Universities of Southern California-Marshall School of Business; and worked as a post-doctoral fellow at Harvard Medical School from 1996 to 1999.

- ***Dr. LI LI BOVET***, our co-founder, an executive Director, and chief scientific officer of our Company, is a scientist in respiratory drug research with nearly three decades of experience in pharmaceutical leadership and drug development. She undertook key roles at GlaxoSmithKline and Schering-Plough, where she fronted the development of numerous inhalation formulations. She served as executive vice president of Cirrus Pharmaceuticals in the U.S.. Under her guidance, Cirrus Pharmaceuticals successfully brought to market several FDA-approved inhalation drugs. She holds a Ph.D. in chemistry from the University of Michigan, where she also completed her postdoctoral research, and an MBA from the University of North Carolina Kenan-Flagler Business School.

- ***Dr. Jean-Marc Bovet***, our technology director, brings nearly three decades of pharmaceutical R&D expertise to our team. As a distinguished scientist, his academic credentials include a Ph.D. from the University of Michigan. Dr. Jean-Marc Bovet's professional journey includes significant contributions as a co-founder at Cirrus Pharmaceuticals, Inc., where Dr. Jean-Marc Bovet led research in drug analysis and pharmaceutical nanotechnology from 2004 to 2012.

- ***Dr. Qi Li***, an executive Director and our chief operating officer, has over 25 years of pharmaceutical development expertise, including having successfully obtained FDA approvals for six inhalation products at Teva Pharmaceuticals, where he served as chief scientist, as well as NDAs for both improved and generic drugs in the U.S. and European markets. Dr. Li holds four international patents and has authored more than 20 academic papers. He holds a Ph.D. in chemistry from the University of Miami and completed postdoctoral research in molecular and cellular pharmacology at the University of South Florida's Cancer Center and the University of Miami School of Medicine.

Recognizing our commitment and growth potential, we have successfully completed six rounds of financing, demonstrating the ongoing trust and support from our investors, including FIIF, who will fuel our future growth with financial support and industry insights.

OUR STRATEGIES

Rapidly advance the global clinical development of our pipeline candidates and strengthen our product portfolio to cover a wider range of clinical areas

We are accelerating the clinical development of our inhalation formulation product candidates, both domestically and internationally, with the goal of shortening development cycles and expediting commercialization. Leveraging our deep understanding of respiratory diseases, we are committed to addressing unmet clinical needs through the development of established respiratory inhalation drugs and to rapidly advancing them to the market. As we continue to advance our R&D programs, we believe that we will be able to launch several products in the near future. We plan to allocate 40% of the net proceeds from the [**REDACTED**] to fund the ongoing R&D, clinical development and commercialization of our inhalation formulation product candidates. For details, see "Future Plan and Use of Proceeds."

In addition, we will continue to pursue programs aiming at novel formulations, molecules, and medical devices, and new therapeutic pathways. We have launched the clinical trial in China for our EBV medical device for emphysema and we will continue to advance its clinical trial. Further, we plan to submit the IND application for our IPF drug in China and advance its clinical trial in the near future. For the remaining product candidates, we will continue to advance their pre-clinical studies and apply for IND when appropriate. We plan to allocate 20% of the net proceeds from the [**REDACTED**] to fund our pre-clinical and clinical R&D across

multiple pipeline programs and our technology platforms. For details, see "Future Plan and Use of Proceeds." Leveraging our global resources, we plan to maximize the commercial potentials of our products through various methods, such as exploring potential BD opportunities.

Enhance our commercialization capabilities to expand our market share

We are developing tailored commercialization strategies for our diverse product portfolio, aiming to leverage resources and government-funded program including the VBP and the NRDL to maximize the commercial value of our products. We also actively track the competitive landscape of our products, so that they can be qualified for such government-funded programs upon approval.

For our CF017, we will deepen market penetration by leveraging our inclusion in the VBP list, while also enhancing our presence in outpatient pharmacies, specialty clinics, and e-commerce platforms. We are actively renegotiating with the relevant government authorities to renew the VBP status for CF017. For CF018, we plan to utilize our NRDL inclusion to facilitate hospital penetration and increase market share. Additionally, leveraging the VBP list, we are exploring opportunities to commercialize CF036 and CF038, as a potential combo therapy together with our CF017 product. We believe this tailored approach will enhance our sales networks and strengthen our commercialization capabilities, ultimately expanding our market presence.

Pursue our global strategy

As a company with a global vision, we are executing an international expansion strategy to bolster our global influence and broaden our footprint. Our focus lies in leveraging global resources to elevate our R&D capabilities in inhalation formulations through initiatives such as talent recruitment, fostering collaborations, and technology transfer. Additionally, we are committed to expanding our manufacturing facilities to align with FDA and EU standards, reinforcing our dedication to quality and compliance as integral components of our global strategy.

We will also gradually advance product registration and sales in the global market. Our efforts focus on advancing product launches in major markets like Europe and the U.S., while also pursuing registration in promising emerging regions such as Southeast Asia, South America and the Middle East. To achieve this, we are continuously deepening our understanding of diverse regulatory environments and market demands, allowing us to tailor specific strategies for each product. Furthermore, we actively seek global strategic partnerships to expedite the R&D and registration of our products abroad, leveraging these collaborations to establish global commercialization capabilities. Through this approach, we aim for global integration and enhanced overseas revenue streams in business development.

Currently, we have obtained one NDA approval from the FDA, namely, GW006. We also have several product candidates targeting the European and the U.S. markets under various development stages. We will continue to advance the development of these candidates and

collaborate with local partners to commercialize them in these markets. Additionally, we see significant opportunities in emerging markets, where regulators often recognize NDAs from authoritative regulatory bodies such as the NMPA and FDA. We plan to pursue product registration in these regions through partnerships with local collaborators.

As an inhalation formulation company renowned for our broad product portfolio with promising clinical profiles, we plan to leverage strategic BD opportunities across the globe to maximize the commercial potential of our products candidates. These collaborations will not only enable us to bring our products to a wider population and generate new sources of revenue but also foster synergies that drive our future R&D and product innovation. Through this proactive approach to partnerships, we are poised to unlock new avenues for growth and establish a stronger presence in the market.

Further strengthen our manufacturing capabilities and quality control standards

We are expanding our production facilities and enhancing our production lines by acquiring and upgrading manufacturing equipment to boost efficiency and capacity. In tandem with these efforts, we will focus on improving our production management system to elevate our quality control standards. Our goal is to ensure that all products are manufactured to the highest quality, consistently meeting or exceeding international first-class standards. Through these initiatives, we aim to maintain our competitive edge and deliver superior products to the global market.

We are currently building the next phases of our manufacturing facility by adding more production lines to support more types of inhalation formulations. The phase I of our new production lines is primarily designed for the SMI and nasal spray products, which is expected to be put into use by the end of 2025. The first part of the phase II of our new production lines is primarily designed for MDI and liposome products, which is expected to be put into use by the end of 2026. We plan to allocate 30% of the net proceeds from the [**REDACTED**] to fund the expansion and upgrade of our manufacturing facilities, equipment procurement and production management systems. For details, see "Future Plan and Use of Proceeds."

Attract, retain and cultivate a diverse and international talent pool

We believe our multi-disciplinary and specialized talent pool is crucial to our success in the long run. We are committed to continuously recruiting, retaining, and cultivating talent, especially within the inhalation formulation industry, to strengthen a diverse and international workforce that supports our ongoing innovation and growth. Our aim is to build a professional team by implementing training and career development programs to enhance our employees' skills and knowledge. Meanwhile, we plan to recruit talents in the area that we are developing our products for, such as medical device and siRNA technologies. To further motivate our team, we also plan to offer competitive compensation packages and incentive plans.

OUR TECHNOLOGY PLATFORMS

Since 2017, we have built technology capabilities that overcome major challenges in formulation technology. Armed with these capabilities, we are equipped with critical optionality to develop the most suitable inhalation format based on the characteristics of the API and the target population group, resulting in a product portfolio with broad coverage of patients, medical specialties, and therapeutic areas. Details of our technology platforms are summarized as follows:

- ***Particle engineering*** is a cornerstone of successful inhalation formulations. We have developed a suite of particle engineering technologies, including micronization, spray drying, and controlled crystallization, to engineer the exact type and form of drug particles needed for different inhalation formulations. Our extensive particle engineering expertise is substantiated by our six approved products spanning three formulation types, showcasing our ability to navigate the complexities of inhalation formulation development.

- ***Device design*** is a crucial and complex component that requires a rare combination of scientific expertise, engineering skills, and patient-centric design. We have developed device design technologies, including CFD modeling, aerosol generation, and dose metering technologies, to optimize particle distribution, trajectory, and dose calibration. Our devices are patent-protected and are bioequivalent to marketed products, showcasing our technological prowess and commitment to quality.

- ***Product performance evaluation*** is crucial in bridging the gap between laboratory testing and the clinical performance of inhalation formulations. We have developed a testing platform that incorporates technologies such as *in vitro-in vivo* correlation (IVIVC) studies, cascade impaction, breathing simulators, and dissolution testing to simulate respiratory conditions. Additionally, we utilize a range of imaging technologies, pulmonary function tests, and biomarkers to assess pharmacokinetics, pharmacodynamics, and safety in both animal models and humans. These tests generate reliable data to ensure that our products are safe and effective while also enabling us to validate our formulations prior to clinical trials.

- ***Process engineering***. We have been able to translate lab-scale formulations into commercially viable, industrial-scale manufacturing processes. By leveraging statistical tools like the design of experiments (DoE) and quality by design (QbD), coupled with process analytical technology, we ensure tight control over critical quality attributes, such as particle size distribution, powder flow, and dose uniformity, setting new benchmarks in the industry.

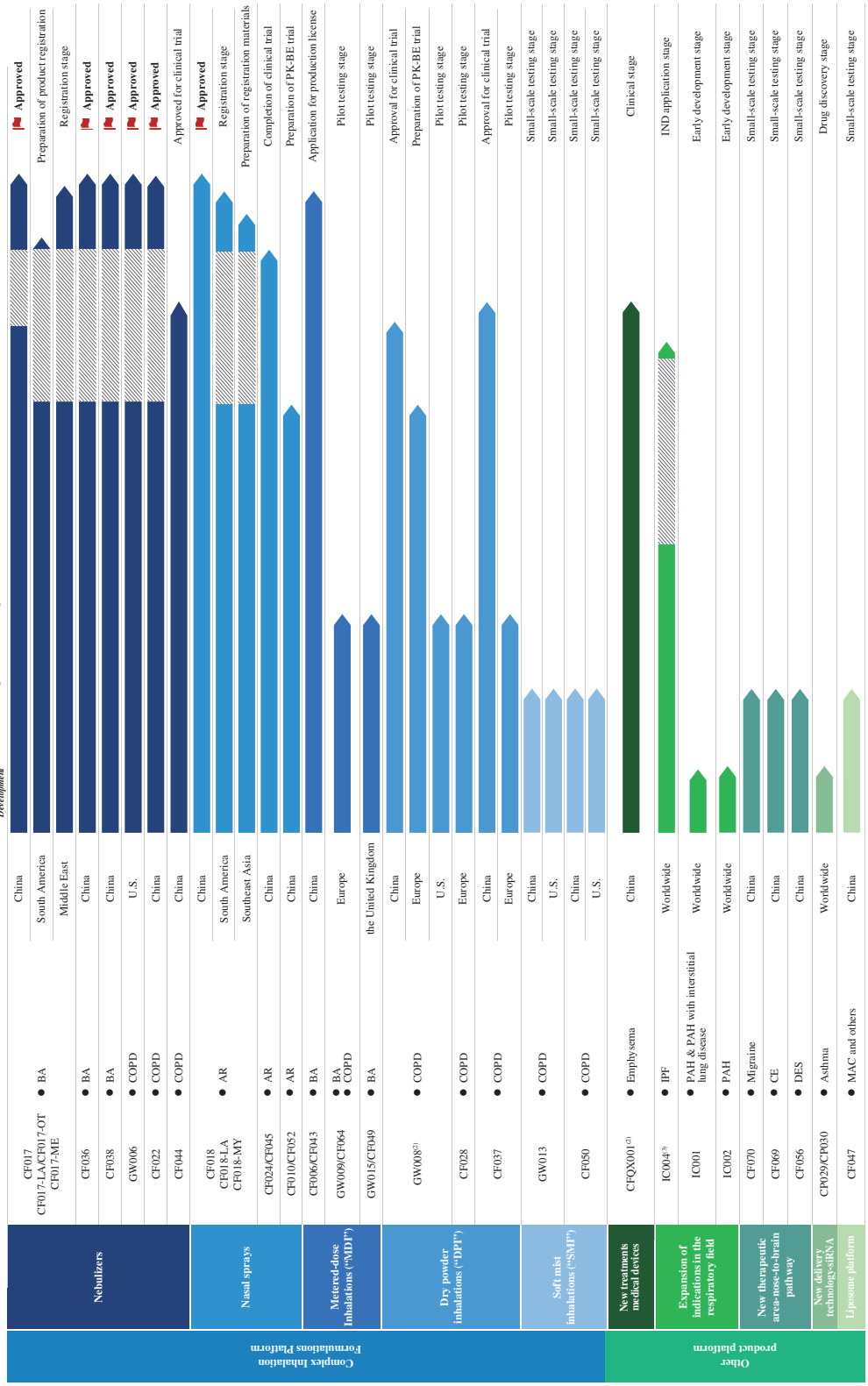
- ***Clinical development*** for inhalation formulations is far more complex and stringent compared to other formulation types and are particularly challenging. For example, variability in patient inhalation techniques can affect drug deposition, making it challenging to control dosage consistency. The potential for irritation or adverse reactions in the delicate lung tissues necessitates meticulous monitoring and control measures during trials. These complexities demand stringent protocols, and close supervision, all of which contribute to the intricacy of clinical trials for inhalation formulations. Our team has honed its expertise in navigating these challenges, designing and managing large-scale clinical trials, controlling variability, and ensuring regulatory compliance. We have assembled a multidisciplinary team of scientists, clinicians, statisticians, and regulatory affairs experts to streamline trial design, patient recruitment, and data collection and analysis, allowing us to enjoy competitive advantages in inhalation formulation development.

OUR PRODUCT PORTFOLIO

Specializing in inhalation formulations, we have positioned our product portfolio primarily to focus on respiratory diseases, including asthma, COPD and allergic rhinitis. We have taken a strategic phased approach in inhalation drug development. In the first phase of our product development, we focused on developing products with limited availability in China that benchmarked global blockbuster inhalation products.

Beyond our first phase of inhalation products, we are also driving global innovation to push the boundaries of formulation applications. We are exploring novel inhalation formulations, such as liposomes and siRNA, and venturing into new therapeutic areas, including CNS disorders and anti-infectives. Moreover, we are developing new treatment methodologies like EBV and developing potential first-in-class or first-in-China treatments for diseases that have a significant impact on patient lives, such as IPF and PAH.

As of the Latest Practicable Date, we had six products approved by the NMPA or FDA and over 20 product candidates in global development for major markets including China, U.S. and/or Europe, as well as emerging markets, such as Southeast Asia and South America, with several products under late-stage clinical trials or PK-BE trials, approaching registration and commercialization in the near future. The following table summarizes our product portfolio and their respective development stages as of the date of this document.



Notes:

(1) BA: bronchial asthma; COPD: chronic obstructive pulmonary disease; AR: allergic rhinitis; IPF: idiopathic pulmonary fibrosis; PAH: pulmonary arterial hypertension; CE: cluster epilepsy; DES: dry eye syndrome; MAC: mycobacterium avium complex

(2) Process validation has not yet completed

(3) Process validation is not required

The following table illustrates our revenue breakdown by product/service during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales of products						
Inhalation products						
CF017	335,941	96.2	547,763	98.4	574,492	94.5
CF018	416	0.1	1,330	0.2	23,888	3.9
Others	–	–	453	0.1	270	0.1
Subtotal	*336,357*	*96.3*	*549,546*	*98.7*	*598,650*	*98.5*
Consumer health products	9,635	2.8	3,686	0.7	4,575	0.8
Subtotal	*345,993*	*99.1*	*553,231*	*99.4*	*603,225*	*99.3*
Provision of technical services[(1)]	3,134	0.9	3,190	0.6	4,527	0.7
Total	**349,127**	**100.0**	**556,421**	**100.0**	**607,752**	**100.0**

Note:

(1) During the Track Record Period, a small portion of our revenue was generated from service fees we charge for the provision of technical services. We primarily provide R&D and manufacturing services to other inhalation formulation companies and charge them service fees for the services we provided. We only provide R&D services for product categories where we do not have directly competing products, and currently there are very few companies in the industry with comprehensive inhalation formulation platforms capable of providing such services. This arrangement allows us to maintain awareness of developments in inhalation formulation technologies and gather useful information for our future product planning. For details, see "Business — Our Product Portfolio — Technical Services" and "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income/(loss) Items — Revenue."

Established Inhalation Drugs for Respiratory Diseases

Inhalation formulations are recognized as a major drug category for managing chronic respiratory diseases such as asthma, COPD, and allergic rhinitis. According to F&S, approximately 2.5 billion people worldwide are living with chronic respiratory diseases today. However, the diagnosis and treatment rates for these diseases remain relatively low. In 2024, the diagnosis and treatment rates for asthma, COPD, and allergic rhinitis in China were significantly lower than those in the United States.

These diseases not only impact a vast number of individuals, but they also encompass various sub-populations with distinct needs. For example, patients may experience differences in disease severity, which can lead to varying management strategies for those with acute disease onset compared to those requiring long-term care. Additionally, there is a significant unmet need, particularly among populations such as children, the elderly, and individuals with

comorbid respiratory conditions. This diversity in symptom presentation and patient needs underscores the necessity for inhalation formulations that are tailored to address the requirements of different patient populations effectively.

Inhalation drugs are generally categorized based on the drug API and device. There are three major types of APIs used in inhalation therapies for the treatment of respiratory diseases. ICS are commonly employed to effectively reduce airway inflammation. LABA and SABA are bronchodilators that relax airway muscles, improving airflow. Additionally, LAMA and SAMA prevent bronchoconstriction by blocking acetylcholine receptors in the airways; LAMAs are particularly favored for their prolonged action, providing sustained bronchodilation. Recent advancements in pharmaceutical development have also led to the creation of inhalation formulation products that incorporate two APIs in combination. This shift allows for a more comprehensive approach to treatment, addressing multiple aspects of respiratory diseases simultaneously. For instance, combining an ICS with a LABA can deliver both anti-inflammatory and bronchodilator effects, resulting in enhanced symptom control and improved lung function.

Inhalation formulations also vary by device type. Each device offers distinct advantages necessary to address the complex interplay of patient physiology and disease characteristics. For example, DPIs are propellant-free, compact, and portable but require strong inhalation effort, making them more suitable for patients who can inhale quickly and deeply. On the other hand, nebulizers are easier to use with a power source, making them more suitable for young children and the elderly who may struggle with DPIs. For more details, see "Industry Overview — Inhalation Drugs for Respiratory Diseases."

Inhalation Nebulizer

A nebulizer is an inhalation formulation that is designed to administer medication in a mist form through a nebulizer device, normally in the form of suspension or solution. The suspension consists of small liquid droplets or particles of the medication that are aerosolized by the nebulizer, allowing for easy inhalation and absorption into the lungs. This method of delivery is especially beneficial for individuals who may have difficulty using inhalers or require higher doses of medication to manage their respiratory symptoms effectively.

CF017 — Approved Budesonide Suspension for Inhalation

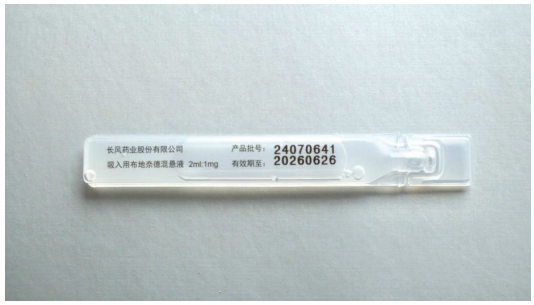
We obtained NMPA approval for CF017 in May 2021, marking our first product approval. The approved indication for CF017 by the NMPA was bronchial asthma. Within one month of its approval, CF017 was included in the VBP list. In September 2021, we commenced its large-scale commercial sales in China. CF017 is an ICS nebulizer that excels in its pronounced anti-inflammatory properties, ensuring enhanced efficacy in managing respiratory conditions.

First developed by AstraZeneca, budesonide suspension was approved by the FDA in 2000 under the brand name "Pulmicort Respules." Since its approval, it has been recognized as the front-line treatment for the maintenance treatment of asthma and as prophylactic therapy in children aged between 12 months to 8 years. The market of budesonide inhaler in China was RMB5.8 billion in 2024 and is expected to reach RMB7.6 billion by 2033. It is also the only ICS included in the WHO Model List of Essential Medicines for Children and has been recognized as a Category B drug under the FDA Pregnancy Category, indicating that it can be used routinely and safely during pregnancy in light of its promising safety profile.

While budesonide suspension's approved indication is for the management of bronchial asthma, clinical guidelines and expert consensus also recommend its use in other respiratory conditions, such as chronic obstructive pulmonary disease (COPD), bronchiectasis, and chronic bronchitis, particularly in cases involving persistent airway inflammation or exacerbations. According to guideline recommendations and expert consensus (for example, Expert Consensus on Rational Medication Use in Nebulized Inhalation Therapy (霧化吸入療法合理用藥專家共識), Expert Consensus on Airway Management in the Perioperative Period of Otorhinolaryngology and Head and Neck Surgery (耳鼻咽喉頭頸外科圍術期氣道管理專家共識), and Expert Consensus on the Application of Nebulized Inhalation in Pharmacological Treatment of Laryngological Diseases (霧化吸入在咽喉科疾病藥物治療中應用專家共識), etc.), these marketed budesonide suspension are also recommended to be used in other respiratory diseases such as COPD, bronchiectasis, and chronic bronchitis.

The number patient affected by asthma, COPD, bronchiectasis, and chronic bronchitis reached about 69.6 million, 107.8 million, 10.1 million, 80.5 million respectively in 2024 in China, which represented the addressable market of budesonide suspension in China.

We commenced the R&D of CF017 in 2014 and successfully concluded two clinical trials in 2019 and 2020, respectively. The clinical trials demonstrated that CF017 achieved bioequivalence compared to the original inhalation drug developed by AstraZeneca. The following image illustrates our CF017 product.



As of the Latest Practicable Date, there were eight approved budesonide suspension products in China, including the originator drug and seven domestically-developed drugs. All of these products are targeting the same patient group. Leveraging the VBP system in China, we were able to include our product in the first batch of VBP list for eight provinces in June 2021, shortly after our product approval. There are six of such products in the VBP list to date, which affords us a market share of approximately 16% in 2024 in terms of sales volume according to F&S. Since then, we have penetrated over 10,000 hospitals and medical institutions. In addition, we are also offering our CF017 to other provinces through our distributors. In 2022, 2023 and 2024, revenue generated from sales of our CF017 amounted to RMB335.9 million, RMB547.8 million and RMB574.5 million, respectively. As of the Latest Practicable Date, eight budesonide suspension products have been marketed in China, out of which seven are domestically manufactured products, including our CF017.

Dosage Form	Manufacturer	Brand Name	First Approval Date	Indications	VBP
Nebulizer/ Suspension	AstraZeneca	Pulmicort Respules	2001-11-22	For the maintenance treatment of asthma in adults and prophylactic therapy for children aged 12 months to 8 years	/
	Jiangsu Chia Tai-tianqing Pharmaceutical	Tian Qing Su Chang (天晴速暢)	2020-02-25		√
	ShenZhen Taitai/JoinCare	Wu Shu (霧舒)	2020-07-21		√
	Sichuan Purity	Pu Chang Shu (普暢舒)	2021-04-13		√
	Our Company	**Chang Qi (長風暢起) (CF017)**	**2021-05-11**		√
	Nanjing Licheng	Bang Chang Zhi Shu (佰暢致舒)	2024-06-18		√
	Hebei Chuangjian Pharmaceutical	/	2024-09-19		√
	Zhejiang Fresh Pharmaceutical	Fu Nai De (福奈德)	2024-09-26		/

Source: CDE, F&S Report

The following table summarizes the comparison of approved budesonide suspension products in China in terms of price and VBP status.

Manufacturer	Current Unit Price, RMB[(1)]	2021 VBP Scheme Status	2025 VBP Scheme Status
AstraZeneca	~12.94	/	/
Jiangsu Chia Tai-tianqing Pharmaceutical	~2.79	• Beijing, Hebei, Shanghai, Fujian, Henan, Qinghai, Ningxia	• Jiangsu Alliance included
ShenZhen Taitech/ JoinCare	~2.45	• Inner Mongolia, Jilin, Anhui, Shandong, Guangxi, Guizhou, Shaanxi	• Jiangsu Alliance included
Sichuan Purity	~3.08	• Heilongjiang, Zhejiang, Hunan, Guangdong, Hainan, Chongqing, Yunnan, Gansu, Xinjiang	• Jiangsu Alliance included
CF PharmTech	~2.95	• Tianjin, Shanxi, Liaoning, Jiangsu, Jiangxi, Hubei, Sichuan, Tibet	• Jiangsu Alliance included
Nanjing Licheng	~2.28	/	• Jiangsu Alliance included
Hebei Chuangjian Pharmaceutical	~1.70	/	• Tentatively selected in Hebei province as the manufacturer was headquartered in Hebei province
Zhejiang Fresh Pharmaceutical	~11.80	/	/

Note:

(1) The unit price of Jiangsu Chia Tai-tianqing Pharmaceutical, ShenZhen Taitech/JoinCare, Sichuan Purity, CF PharmTech, and Nanjing Licheng are the VBP prices from the fifth batch of VBP or its renewal. The unit price of Hebei Chuangjian Pharmaceutical is the proposed VBP price from the fifth batch of VBP renewal in Hebei. The unit price of Zhejiang Fresh Pharmaceutical is the listed price from the 2025 fifth batch of drug procurement in Guizhou Province.

The following table summarizes the sales volume and average selling price of CF017 during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	'000	*RMB*	*'000*	*RMB*	*'000*	*RMB*
CF017	120,912	2.78	198,265	2.76	209,493	2.74

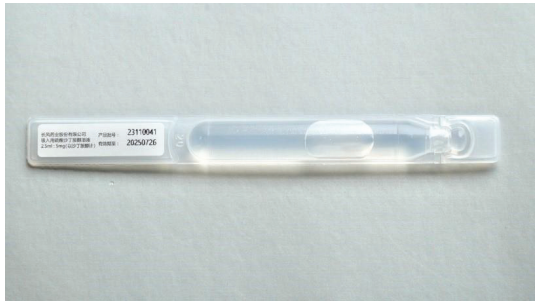
CF017 was included in the VBP list for eight provinces in 2021. The VBP list has an effective period of three years. As of the Latest Practicable Date, we had completed the inclusion of the VBP status for CF017 in the Jiangsu Alliance for the 2025 VBP Scheme, which consists of 11 provinces. We are also preparing for the VBP renewal bidding for other alliances and provinces. The effective period for the 2025 VBP Scheme in Jiangsu Alliance is three years. For details, see "— Sales and Marketing — Future Commercialization Strategy for CF017" and "Risk Factors — Risks Relating to Our Business and Industry — We face uncertainties arising from the VBP scheme in China, which could adversely affect our market share and profitability."

CF036 — Approved Salbutamol Sulfate Solution Nebulizer

We obtained the NMPA approval for CF036 in October 2021, making our first approved SABA product. The approved indication for CF036 by the NMPA was bronchial asthma. As a SABA medication, salbutamol sulfate is primarily used to provide quick relief by relaxing the muscles in the airways and improving breathing.

First developed by GSK, the salbutamol sulfate solution nebulizer was approved by the FDA in 2015 under the brand name "Ventolin." It is commonly used to manage symptoms caused by bronchial asthma and chronic bronchospasm. Since its approval, it quickly became one of the most commonly prescribed bronchodilators worldwide.

We commenced the R&D of CF036 in 2018. In October 2021, we obtained the product registration approval from the NMPA for CF036. Since the last round of negotiation for inclusion in the VBP list was concluded in February 2021 before our product was approved, CF036 was not included in the VBP list. As such, we plan to commercialize our products through cross-selling opportunities and combination therapies with our CF017. The following image illustrates our CF036 product.

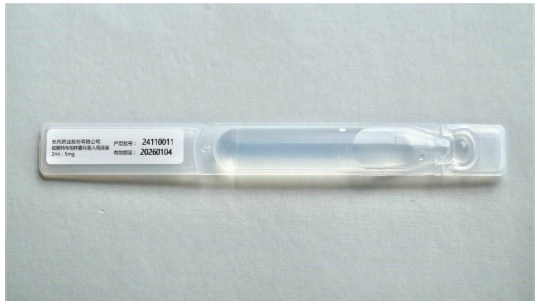


Since February 2025, CF036 has been successfully included in the VBP list by the Jiangsu Alliance. We are also preparing for the VBP inclusion bidding for other alliances and provinces. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We face uncertainties arising from the VBP scheme in China, which could adversely affect our market share and profitability."

CF038 — Approved Terbutaline Sulfate Solution Nebulizer

We obtained the NMPA approval for CF038 in September 2023, making it our second approved SABA product. The approved indication for CF038 by the NMPA was bronchial asthma. Terbutaline sulfate is a selective SABA that can relax bronchial smooth muscles, inhibit the release of endogenous spasmogenic substances and endogenous neurotransmitter-induced edema, and improve the clearance ability of bronchial mucosa cilia. As such, terbutaline sulfate solution nebulizer is widely used to relieve bronchospasm associated with asthma, chronic bronchitis, emphysema and other pulmonary diseases. Initially introduced in 1985 as a branded product under the brand name "AZ Bricanyl," the terbutaline market has evolved to include numerous generic options, reflecting its widespread use and established efficacy.

We commenced the R&D of CF038 in 2019. In September 2023, we obtained the NDA approval from the NMPA for CF038. In China, the terbutaline sulfate nebulizer market currently features over 20 marketed products. Among these products, five have been included in the VBP list. Considering that (i) terbutaline sulfate solution nebulizer is often used in conjunction with budesonide suspension for the treatment of asthma and other respiratory diseases and (ii) there are fierce competition in China's terbutaline sulfate solution nebulizer market, we do not plan to actively pursue commercialization opportunities for CF038. Rather, we will primarily leverage cross-selling opportunities and combination therapies with CF017 in the commercialization of CF038. For example, for some distributors for CF017, we also set sales target for CF038 in their distribution agreements.



GW006 — Approved Arformoterol Solution Nebulizer

We obtained the FDA approval for GW006 in May 2024, making this our first approved product in the United States, with the approved indication being COPD. GW006 is designed to provide targeted relief for patients suffering from COPD conditions. As a LABA, arformoterol offers potent bronchodilation and symptom management.

First developed by Sunovion Pharmaceuticals, the arformoterol nebulizer product was approved by the FDA in 2006 under the brand name "Brovana." It can activate adenylate cyclase intracellularly, which catalyzes the conversion of ATP to cAMP and ultimately leads to the relaxation of airway muscles and inhibits the release of cytokines in mast cells.

Since obtaining its FDA approval, we have been evaluating the commercialization opportunities to formulate the most suitable commercialization strategies for our product in the United States. We current anticipate that we will achieve commercialization of GW006 by 2026. We also plan to commercialize our products in other emerging markets that recognize its FDA approval, such as Southeast Asia and Middle East.

CF022 — Approved Formoterol Fumarate Solution Nebulizer Candidate

CF022 represents our first drug candidate utilizing formoterol fumarate as its API, laying a solid foundation for the development of our beclomethasone formoterol MDI aerosol candidate. Formoterol fumarate, a LABA bronchodilator, functions to relax the muscles within the airways, thereby enhancing breathing and alleviating symptoms like wheezing, coughing, and breathlessness. Clinical studies have highlighted that regular use of LABAs can assist patients in reducing both the frequency and intensity of symptoms associated with asthma and COPD. In January 2025, CF022 was approved by the NMPA for the treatment of COPD. We currently anticipate that we will achieve commercialization of CF022 in China by the end of 2025.

First developed by Mylan, formoterol fumarate solution nebulizer was approved by the FDA in 2007 under the brand name "Perforomist." As of the Latest Practicable Date, there were 11 approved formoterol fumarate solution nebulizers globally and 19 in China as well. In addition, formoterol fumarate is also marked in other inhalation formats, including DPI and MDI.

We believe there are significant clinical advantages for formoterol fumarate solution nebulizers compared to other marketed systemic formulations. This inhalation format can provide a precise and consistent dosage with each use, ensuring accurate delivery of the medication. Further, the solution nebulizer is pre-dissolved, which can lead to a quicker onset of action. Observing these opportunities, we have developed CF022 for which we have completed a bioequivalence clinical trial and submitted a manufacturing license application in China.

CF044 — IND-ready Revefenacin Solution Nebulizer Candidate

CF044 is the lead LAMA drug asset we develop. It has the potential to become one of the first inhaled drugs for COPD in China to adopt a once-daily dosing regimen. Revefenacin is a LAMA that can stimulate beta-2 adrenergic receptors in the airway smooth muscle, leading to bronchodilation and improved airflow, and is often used for long-term maintenance to control symptoms and improve lung functions, such as COPD. We are developing CF044 and have obtained its IND approval from the NMPA as of the Latest Practicable Date.

First developed by Mylan/Theravance, revefenacin was approved by the FDA in 2018 under the brand name "Yupelri."

As of the Latest Practicable Date, two other revefenacin nebulization products had been provisionally approved by the FDA, and there were several solution nebulizer candidates under development, including, but not limited to, CF048 (an ICS drug for asthma), CF067 (a SABA drug for bronchial asthma and COPD) and CF068 (a SAMA and SABA product for bronchial asthma).

Nasal Spray

A nasal spray is an inhalation formulation administered through a pressurized container that dispenses a fine mist or spray of medication into the nostrils. Nasal sprays can provide targeted delivery directly to the nasal passages, allowing for localized treatment for nasal symptoms without the need for systemic absorption. They are also convenient to use and can provide quick relief for nasal symptoms.

CF018 — Approved Azelastine Hydrochloride and Fluticasone Propionate Nasal Spray

We obtained NMPA approval for our CF018 in November 2022, marking our first approved nasal spray product and the only approved product of its kind apart from the originator drug in China, according to F&S. The approved indication for CF018 by the NMPA was allergic rhinitis. It is an inhaled combination drug that blends the antihistamine properties of azelastine hydrochloride with the anti-inflammatory effects of fluticasone. Azelastine blocks histamine receptors in the body, thereby reducing the effects of histamine, a substance produced by the immune system during an allergic reaction. Fluticasone is an ICS medication used to treat inflammatory conditions. This inhalation formulation offers a comprehensive approach to managing allergic rhinitis by addressing both histamine-related symptoms and nasal inflammation.

First developed by Meda Pharmaceuticals, azelastine hydrochloride and fluticasone propionate nasal spray was approved by the FDA in 2012 under the brand name "Dymista." It has demonstrated statistically and significantly greater decreases in both reflective total nasal symptom score and instantaneous total nasal symptom score compared to a single azelastine hydrochloride or fluticasone inhalation drug. In 2024, Meda Pharmaceuticals' Dymista recorded a global sales revenue of US$188 million.

We commenced the R&D of CF018 in January 2015. In January 2019, we launched its phase III clinical trial in China, which was a randomized, double-blind, positive drug-controlled trial with 679 subjects enrolled. During the clinical trial, our CF018 demonstrated bioequivalence compared to Meda Pharmaceuticals' Dymista. The following image illustrates CF018.

CF018 is the first and only approved product of its kind apart from the originator drug in China, according to F&S. Notably, as a result of our clinical trial design tailored to the regulatory requirements and timely communications with the NMPA, our product was approved by the NMPA in November 2022, eight months before the originator drug was approved, by leveraging our deep technological expertise. We believe our products were able to approved before the originator drug primarily because we are more familiar with the regulatory pathway in China, enabling us to expedite the registration approval process. As advised by F&S, it is common in China that generic drugs are approved before the originator drug by the NMPA, considering that local manufacturers normally are equipped with more profound knowledge and expertise in regulatory pathway in China. As there are currently only two approved products in China, azelastine hydrochloride and fluticasone propionate nasal spray is not usually included in the VBP list. As such, during the first year after its approval, CF018 was primarily sold at outpatient pharmacies through our distributors since its approval. In December 2023, CF018 became the first and the only product of its kind included in the NRDL. As of the Latest Practicable Date, CF018 has penetrated over 500 hospitals and medical institutions, and recorded sales revenue of RMB23.9 million in 2024. The following table summarizes the information of the approved azelastine hydrochloride and fluticasone propionate nasal spray drug in China as of the Latest Practicable Date.

Dosage Form	Manufacturer	First Approval Date	Indications	2023 Medical Insurance Status	VBP
Nasal Spray	**Our Company**	**2022-11-01**	Allergic rhinitis	List B since 2023	/
	Viatris/Meda Pharmaceuticals	2023-06-30			

The following table summarizes the sales volume and average selling price of CF018 during the Track Record Period. The decrease in its average selling price in 2024 was primarily due to the inclusion of the NRDL for CF018, which also resulted in a significant boost of its sales volume.

	For the year ended December 31,					
	2022		2023		2024	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	'000	*RMB*	*'000*	*RMB*	*'000*	*RMB*
CF018	1.3	309.73	4.3	309.73	341.1	70.04

CF024/CF045 — Clinical Stage Mometasone Furoate Nasal Spray Candidate

CF024/CF045 is our first steroid nasal inhaler under clinical development in China. As an ICS medication, mometasone furoate can reduce inflammation in the nasal passages, and thereby significantly improve various nasal and ocular symptoms.

First developed by Merck Sharp & Dohme, the mometasone furoate nasal spray was approved by the FDA in 1997 for the treatment of allergic rhinitis under the brand name "Nasonex." As of the Latest Practicable Date, there were six approved mometasone furoate nasal spray products in the global market, four of which were nasal sprays. In the China market, there were three approved mometasone furoate nasal spray products in China, including the originator drug. Among these approved products in China, only one product has passed the bioequivalence tests. In addition, there were seven mometasone furoate nasal spray candidates at clinical stages in China as of the same date.

Originally, we have developed our mometasone furoate nasal spray candidate, namely GW001, for the United States market. Later, we have decided to primarily develop this product under the project name CF024/CF045 for the China market. We have completed subject enrollment for its clinical trial involving 640 subjects in China. We plan to submit its product registration to the NMPA in 2025. In the meantime, we will carefully evaluate the opportunities in the U.S. market and register our product with the FDA when we consider appropriate.

CF010/CF052 — PK-BE Stage Budesonide Nasal Spray Candidate

In addition to our approved budesonide suspension nebulizer, we are also developing a budesonide nasal spray candidate, which is currently in clinical trials. Through its direct delivery to the nasal mucosa, nasal spray is more suitable for allergic rhinitis maintenance treatment. In addition, nasal sprays are easy to use and generally well-tolerated, thereby improving patient adherence.

MDI

An MDI is an inhalation formulation that can deliver medications through metered-dose inhalers. It offers a convenient and effective way to deliver the medication to the lungs, providing rapid relief and improving respiratory function.

CF006/CF043 — Product Registration Stage Salmeterol/Fluticasone MDI Aerosol Candidate

CF006/CF043, an inhaled combination drug, is our lead combination drug assets under clinical development. Salmeterol is an LABA that works by relaxing the muscles in the airways, making it easier to breathe. Fluticasone is an ICS that can reduce inflammation in the airways, helping to decrease symptoms such as wheezing, shortness of breath and coughing.

First developed by GSK, the salmeterol/fluticasone combination drug was approved by the FDA in 1999 under the brand name "Seretide" and has since become the current front-line combination drug for both bronchial asthma and COPD. This drug has been the fourth highest selling inhalation drug in China and globally in 2024. As of the Latest Practicable Date, there were three marketed salmeterol/fluticasone combination drugs in China, including GSK's Seretide®, which is available in DPI and MDI dosage forms.

We are currently developing CF006/CF043, making us the only developer with a salmeterol/fluticasone MDI aerosol candidate under the clinical stage in China, according to F&S. Compared to DPIs, MDI aerosols do not require external force for activation, offering a simpler mechanism of delivery. They possess several advantages, including being fast-acting, accurately dosed, and relatively easy to maintain cleanliness. These characteristics make MDI aerosols particularly suitable for patients with compromised inhalation function or severe limitations in device use. As of the Latest Practicable Date, we have completed its registration clinical trial in China involving 470 subjects. We have also submitted its product registration application to the NMPA.

GW009/CF064 — Pilot Testing Stage Beclomethasone Formoterol MDI Aerosol Candidate

GW009/CF064 is our key combination drug candidate consisting of both ICS (beclomethasone) and LABA (formoterol), which is developed solely for the European market. Beclomethasone, an ICS, functions locally to diminish inflammation in the airways, whereas formoterol, a LABA, aids in widening the bronchioles, thus facilitating improved breathing. Notably, the two APIs utilized in this candidate are in small particle form, enabling them to reach both the large and small airways concurrently. This design not only boosts the drug's bioavailability but also enhances its clinical effectiveness.

First developed by Chiesi Air, the beclomethasone formoterol combination inhalation drug was approved by the FDA in 2006 under the brand name "Fostair." As of the Latest Practicable Date, there were eight beclomethasone/formoterol MDI products approved globally, including Chiesi Air's Fostair and its generic drugs.

We believe there are significant market opportunities in Europe for beclomethasone formoterol inhalation MDI aerosol and we are developing a beclomethasone formoterol inhalation MDI aerosol product for the European market, which is currently under pilot testing.

GW015/CF049 — Pilot Testing Stage Beclometasone MDI Aerosol Candidate

GW015/CF049 is an inhaled drug consisting of beclometasone, an ICS, as its API. Beclometasone functions by reducing inflammation and suppressing the body's immune response, thereby alleviating symptoms associated with asthma. First developed by TEVA, the beclometasone MDI aerosol was approved by the FDA in 2012.

Currently, we have completed the registration batch production for GW015/CF049, which is primarily designed for the UK market.

DPI

DPI is an inhalation formulation used to deliver medication to the lungs in a powdered form for the treatment of respiratory conditions. DPIs are designed to convert pharmaceutical powders into an aerosol that can be inhaled directly into the lungs. Unlike MDIs, DPIs do not require coordination between actuation and inhalation, making them easier to use for many patients who may have difficulty with the coordination required for MDIs.

GW008 — IND-ready Tiotropium Bromide DPI Candidate

Leveraging our abundant technologies in developing inhalation formulations in different formats, we are also developing a tiotropium bromide DPI candidate. In November 2018, GW008 was acknowledged as a "National Innovative Drug Development Project" by the NHC. The project was subsequently completed in November 2021.

As of the Latest Practicable Date, apart from the originator drug, developed by BI and marketed under the brand name "Spiriva," there were three approved tiotropium bromide DPI products in China, none of which had completed a bioequivalence test. We are currently conducting its pharmacokinetics and pharmacodynamics bioequivalence tests for GW008 in China, which we believe will enable us to enjoy competitive advantages during negotiations for government medical reimbursement or procurement schemes in the future under the current regulatory regime. In addition, we are also conducting pre-clinical studies testing for this candidate in Europe and the United States, respectively.

CF028 — Pilot Testing Stage Glycopyrronium Bromide DPI Candidate

CF028 is our first LAMA drug in DPI format under development. Glycopyrronium bromide is a LAMA that can act as a bronchodilator by blocking the action of acetylcholine on muscarinic receptors in the airways. As such, glycopyrronium bromide can help improve lung function, reduce symptoms such as shortness of breath and cough, and enhance the overall quality of life for patients with COPD.

First developed by Novartis, the glycopyrronium bromide DPI product was approved by the FDA in 2015 under the brand name "Seebri Breezhaler." It was the only approved glycopyrronium bromide drug in China as of the Latest Practicable Date. In addition, there were eight glycopyrronium bromide DPI candidates under clinical development in China.

We are developing CF028 for the European market, which is currently under pilot testing.

CF037 — Pilot Testing Stage Indacaterol Maleate and Glycopyrronium Bromide DPI Candidate

CF037 is our first LABA and LAMA combination drug under clinical development. Studies have indicated that this LABA and LAMA combination is the only dual bronchodilator that has demonstrated clinical advantages over both LAMA/ICS and LABA/ICS combinations across multiple clinical parameters. It can effectively improve lung function, reduce the frequency of acute exacerbations, alleviate dyspnea and other symptoms, and significantly enhance the overall quality of life for patients. As such, this LABA and LAMA combination treatment has been recommended by various clinical guidelines and expert consensus, including the 2023 Global Initiative for Chronic Obstructive Lung Disease and the 2021 PRC COPD Clinical Guideline. We are conducting pilot testing for CF037, which is designed for both China and the European market.

First developed by Novartis, the indacaterol maleate and glycopyrronium bromide DPI candidate was approved by the FDA in 2013 under the brand names "Ultibro Breezhaler" and "Xoterna Breezhaler." As of the Latest Practicable Date, it remained to be the only approved drug of its kind globally. In addition, there were eight indacaterol maleate and glycopyrronium bromide candidates at clinical stage in China and Europe as of the same date.

SMI

A SMI is an inhalation formulation that can deliver medication to the lungs in the form of a soft mist spray. It provides a slow-moving, gentle mist of medication that remains in the air longer compared to traditional MDIs, allowing for improved drug delivery to the lungs. SMIs are designed to be user-friendly, making them suitable for patients who may have difficulty using other types of inhalers, such as those with limited hand strength or coordination issues.

GW013 — Small-scale Testing Stage Tiotropium Bromide SMI Candidate

GW013 is our first and lead LAMA drug candidate under clinical development. As a LAMA medication, tiotropium bromide offers sustained relief by providing smooth muscle relaxation in the lungs, thereby enhancing airflow and easing breathing difficulties. In particular, it is a long-acting anticholinergic bronchodilator and can support a once-daily dosing regimen, thereby ensuring convenient and consistent symptom control for COPD patients.

First developed by BI, the tiotropium bromide inhalation drug was approved by the FDA in 2004 under the brand name "Spiriva" and has since become the first-line drug for the treatment of COPD. It was the fifth best-selling inhalation drug product in the global market in 2024. As of the Latest Practicable Date, although there were nine marketed tiotropium bromide products globally, BI's Spiriva was the only SMI product in the United States, Europe, and China. As of the same date, there was only one tiotropium bromide SMI candidate under clinical development globally.

Compared to DPI products, SMI products have several clinical advantages. It is generally easier to use for individuals with limited dexterity or coordination issues. It is more compact and convenient for carrying around, making them more suitable for on-the-go use. Further, the particle size of DPI formulations may vary, potentially affecting the deposition of the drug in the lungs. In contrast, SMI formulations can produce particles with more consistent and stable sizes. We are currently in the process of developing GW013 for both the Chinese and U.S. markets. Notably, GW013 incorporates a device design that is protected by our proprietary patents. Currently, we are engaged in small-scale testing for GW013.

CF050 — Small-scale Testing Stage Tiotropium Bromide and Olodaterol Hydrochloride SMI Candidate

We are also developing CF050. It is an inhaled combination drug consisting of both tiotropium bromide, a LAMA and olodaterol hydrochloride, a LABA. The combination of these two APIs in an SMI candidate can offer dual bronchodilation for patients with COPD, leading to improved symptom management and enhanced control over COPD-related symptoms.

First developed by BI, the tiotropium bromide and olodaterol hydrochloride SMI product was approved by the FDA in 2015 under the brand names "Inspiolto Respimat" and "Spiolto." As of the Latest Practicable Date, it was the only approved tiotropium bromide and olodaterol hydrochloride SMI product globally.

We are currently conducting small-scale testing for CF050, which is designed for both the China and the United States markets.

Other Product Pipeline

Beyond our first phase of inhalation products, we are also driving innovation in the inhalation formulation field. Leveraging our extensive insights and experience, we are dedicated to pushing the boundaries of formulation applications, details of which are summarized as follows.

Treatment Methodology Innovation

CFQX001 — Clinical-ready Interventional Medical Device Candidate

Emphysema, an advanced form of COPD, is a progressive, debilitating disease characterized by irreversible destruction of alveolar tissue, which normally results in reduced elastic recoil, progressive lung hyperinflation and gas trapping. In 2024, there were around 100 million patients globally suffering from emphysema. EBV interventional medical devices have recently emerged as a new treatment option for emphysema patients. EBV offers significant advantages over standard medical treatments, including improved survival rates, enhanced lung function, better quality of life, and increased exercise capacity. In 2018, Pulmonx's Zephyr valve system was approved by the FDA, becoming the first EBV interventional medical device approved for emphysema. The global market for EBV treatment is substantial, with an estimated 56,000 patients having been treated with Zephyr® valves alone as of 2024. As of the Latest Practicable Date, there were two approved EBV devices globally. We are currently developing CFQX001 targeting emphysema. As of the Latest Practicable Date, we have obtained ethical review approval from the trial sites for its clinical trials in China.

New Respiratory Disease Indications

IC004 — IND-stage IPF Inhalation Drug Candidate

Fibrosis is a progressive and degenerative condition in human organs where normal tissues become scarred over time and loses its physiological function. Fibrosis can result from multiple pathologic processes, many aspects of which are poorly understood at cellular and molecular levels, which has made developing drugs targeting fibrosis very challenging. IPF is a specific form of chronic, progressive fibrosing interstitial pneumonia of unknown cause, which primarily occurs in older adults. Given its unpredictable but progressive evolution, the prognosis of IPF remains generally poor, with a five-year survival rate estimated at around 20%, even lower than those observed in certain types of cancer. According to F&S, IPF is one of the most common rare diseases, with approximately 610.7 thousand new cases recorded globally in 2024.

Currently, there are only two drugs approved for IPF in the US and China, namely pirfenidone and nintedanib, each being an oral medication. Both drugs are poorly tolerated with side effects, such as GI intolerance, phototoxicity and liver toxicity, which could lead to discontinuation of the treatment. Observing the significant market need for an IPF drug with an enhanced safety profile, we are in the IND application stage for an IPF inhalation drug candidate. As an inhalation drug will directly deliver the APIs to the lungs, we believe our IC004 has significant advantages in terms of side effects as compared to currently approved IPF drugs.

IC002 and IC001 — Early Development Stage PAH Inhalation Drug Candidates

PAH is a type of high blood pressure that affects the arteries in the lungs. PAH is a serious and progressive condition that can be idiopathic or associated with other conditions. In 2024, the number of PAH patients in China reached approximately 86.6 thousand, and is expected to increase to 99.9 thousand in 2033, driven primarily by the aging population. Current treatment for PAH primarily focuses on symptom management to slow the progression of the disease and improve quality of life. As of the Latest Practicable Date, there were four approved PAH inhalation drugs globally, one of which was approved in China. Compared to other PAH drugs, inhalation drugs can provide targeted delivery and rapid onset of action with reduced systemic side effects. Observing the opportunities for PAH inhalation drugs, we are developing IC002 and IC001, two PAH inhalation drugs, which are currently under pre-clinical studies.

Therapeutic Pathway

In recent years, the nose-to-brain pathway has become a new frontier for inhalation formulations. This approach involves the direct transport of substances from the nasal cavity to the brain, effectively bypassing the blood-brain barrier. It enhances drug targeting and efficacy, making it particularly beneficial for treating various neurological and other conditions. Additionally, this pathway can potentially reduce systemic side effects and improve patient compliance compared to traditional delivery methods.

CF070 — Small-scale Testing Stage Central Nervous System Drug Candidates

CNS disorders are the leading cause of disease globally and are currently experiencing increasing prevalence, primarily attributable to population growth, prolonged lifespans and the COVID-19 pandemic. According to F&S, CNS disorders currently affect billions of people globally, including an estimated 1.2 billion people with migraine and 61.2 million with epilepsy.

In recent years, various studies have indicated that inhalation formulations also have the potential to be used to deliver drugs to the CNS. This route offers several advantages for drug delivery. For example, inhalation formulations can circumvent major pharmacokinetic obstacles typically associated with oral CNS drug delivery, including gastrointestinal/pH and enzymes, delayed/variable absorption, first-pass hepatic drug metabolism, serum-associated degradation, kidney filtration and the blood-brain barrier. Further, the nasal epithelium provides an optimal absorption surface for drug delivery due to its high permeability, leaky intercellular junctional complexes and extensive vascularization. In addition, the inhalation route is non-invasive, easy to self-administer and may be more acceptable for patients with movement disorders. According to F&S, the global inhalation formulation drug market for the global inhalation formulation drug market for CNS disorders reached US$3.2 billion (approximately RMB23.4 billion) in 2024, and is expected to increase to US$7.2 billion (approximately RMB52.6 billion) in 2033 at a CAGR of 9.4% from 2024 to 2033.

Observing the potential for inhalation formulation for CNS disorders, we are developing a calcitonin gene-related peptide (CGRP) receptor antagonist nasal spray for the acute treatment of migraine headaches namely CF070. In addition, we are also developing a diazepam nasal spray for acute treatment of seizure clusters, namely our CF069. As nasal sprays, our CNS inhalation formulation drug candidates can bypass the slower gastrointestinal absorption of the oral drugs, provide rapid relief and are easier and more convenient to administer.

CF056 — Small-scale Testing Stage Dry Eye Syndrome Drug Candidate

We are also developing CF056 for dry eye syndrome, which is currently under small-scale testing. By stimulating the trigeminal nerve in the nasal cavity, these sprays can enhance natural tear production, providing relief without the need for topical eye drops. This method not only improves patient compliance but also targets the underlying causes of tear film instability, offering a promising alternative for those suffering from dry eye symptoms. As of the Latest Practicable Date, there was only one approved inhalation formulation drug treating dry eye syndrome globally.

Delivery Technology Innovation

CP029/CP030 — Drug Discovery Stage SiRNA Inhalation Drug Candidates

We are developing siRNA molecules as novel delivery technology for our inhalation formulation products. RNAi technology can potentially redefine the treatment landscape for chronic respiratory diseases, with the ability to target genes or pathways that underlie the disease, in contrast to most existing treatments that only treat the symptoms. By addressing disease-causing mechanisms, siRNA therapy could modify the course of disease and achieve more sustained disease control. To date, there are no approved siRNA inhalation drugs globally. We are currently exploring opportunities to adopt siRNA technologies in our inhalation drugs for the treatment of chronic respiratory diseases.

Formulation Innovation

CF047 — Small-scale Testing Stage Amikacin Liposome Suspension Candidate

CF047 is an inhaled drug candidate for the treatment of MAC lung disease. MAC lung disease is a type of non-tuberculous mycobacterial infection that affects the lungs, which typically affects individuals with underlying lung conditions such as bronchiectasis, COPD or previous lung damage. While antibiotics are the first-line treatment for MAC lung disease, they require prolonged use of 12 to 18 months and therefore can lead to resistance and low treatment compliance. Moreover, there may be higher risk of DDIs, especially in the elderly population. Amikacin has a differentiated mechanism of action; however, the injection formulation can cause severe side effects such as kidney damage and is inconvenient given the regular

injections needed. By encapsulating amikacin in a liposome, amikacin can be directly delivered to the lungs, thereby enhancing efficacy and minimizing systemic side effects. We are currently conducting pilot testing for our CF047 candidate.

Consumer Health Products

During the Track Record Period, we also developed and generated revenue from sales of several consumer health products. Our consumer health products primarily include nasal cleaner sprays and solutions and eye atomizers, among others. Revenue generated from sales of these consumer health products amounted to RMB9.6 million, RMB3.7 million and RMB4.6 million in 2022, 2023 and 2024, respectively, representing 2.8%, 0.7% and 0.8% of our revenue for the same period.

Technical Services

Leveraging our inhalation formulation technology platforms, we also from time to time provide R&D and manufacturing services for inhalation formulation products. We primarily provide such services to other inhalation formulation companies. We only provide R&D services for product categories where we do not have directly competing products, and currently there are very few companies in the industry with comprehensive inhalation formulation platforms capable of providing such services. This arrangement allows us to maintain awareness of developments in inhalation formulation technologies and gather useful information for our future product planning. Revenue generated from technical services amounted to RMB3.1 million, RMB3.2 million and RMB4.5 million, representing 0.9%, 0.6% and 0.7% of our revenue in 2022, 2023 and 2024, respectively.

BUSINESS SUSTAINABILITY

Our Historical Performance

Since our inception, we have been dedicated to the development of inhalation drug delivery technology, with a focus on treating respiratory diseases. Inhalation formulations are highly complex and challenging to develop and manufacture, requiring years of technology, know-how and systems build-up. Over the past 12 years, we have established technology platforms across a full spectrum of inhalation formulations, including nebulizers, nasal sprays, DPIs, MDIs and SMIs, with capabilities across particle engineering, device design, process engineering, and clinical development. Leveraging these capabilities, we advanced a pipeline of inhalation drugs for major respiratory diseases such as asthma and COPD. Our efforts in technology build-up and drug development over the years necessitated significant investments in R&D, which resulted in accumulated losses of RMB808.3 million as of January 1, 2022.

Starting in 2021, our R&D efforts began to pay off with our first product, CF017, approved by the NMPA and included in the VBP in the same year. Over the next few years, our sales ramp-up for CF017 and the subsequent approval of five more inhalation drugs led to rapid revenue growth. Our revenue increase from RMB349.1 million in 2022 to RMB556.4 million in 2023, and further increased to RMB607.8 million in 2024. Although we continued to incur significant R&D expenses for our other pipeline products, as well as growing selling and distribution expenses as our sales activities expanded, we were able to gradually turn losses into profit during the Track Record Period due to the launch and sales of our approved products. Our first approved product, CF017, was included in the first batch of VBP list for eight provinces in China. Since then, it has achieved significant sales revenue growth, increasing from RMB335.9 million in 2022 to RMB547.8 million in 2023 and RMB574.5 million in 2024. As of the Latest Practicable Date, our CF017 had penetrated over 10,000 hospitals and medical institutions.

Although we have experienced significant sales growth during the Track Record Period, we incurred net loss of RMB49.4 million in 2022, primarily because we only commenced large-scale commercialization of our first inhalation formulation product, CF017 in September 2021 and this product remained in ramp-up stage, whereas we incurred relatively high selling and marketing expenses to promote our inhalation formulation products; R&D expenses to develop new inhalation formulation products; and administrative expenses to support our daily operation. As our business continue to expand, we have been able to enhance our economies of scale and become profitable in 2023. We recorded net profit of RMB31.7 million in 2023 and RMB21.1 million in 2024.

For a period-on-period analysis of our financial performance, see "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income/(Loss) Items" and "Financial Information — Results of Operations."

Our Strategies to Deliver Sustainable Revenue Growth and Profitability

We believe there will continue to be a significant demand for inhalation formulation drugs in the treatment and management of respiratory diseases. The global respiratory drug market is vast, driven by the increasing prevalence of respiratory diseases such as asthma, COPD and allergic rhinitis. It is estimated that nearly 2.5 billion people worldwide are living with chronic respiratory diseases today, and this number is expected to grow in the future. The global respiratory drug market size was valued at US$99.9 billion (approximately RMB729.2 billion) in 2024, and it is projected to reach US$157.2 billion (approximately RMB1,147.4 billion) by 2033, growing at a CAGR of 5.2%. Being a major application of inhalation formulations, the inhalation formulation market for respiratory disease in China is expected to grow from RMB23.2 billion in 2024 to RMB35.1 billion in 2033 at a CAGR of 4.7% from 2024 to 2033.

Going forward, we expect to sustain our revenue growth and maintain profitable taking into account the following factors.

- ***Revenue growth from existing products***. During the Track Record Period, substantially all of our revenue was generated from sales of CF017 products. We believe revenue from sales of CF017 as a single product will continue to contribute to a significant portion of our revenue going forward and we plan to leverage the VBP scheme as well as further deepen its non-VBP channel sales to maintain our market position. As we continue to deepen market penetration for other approved products, we expect that our revenue will continue to benefit from other products. For example, CF018 was included in the NRDL in December 2023 and its revenue has increased from RMB1.3 million in 2023 to RMB23.9 million in 2024. In addition, we plan to further penetrate CF036 and CF038, leveraging the potential to use them as a combo therapy with CF017.

- ***Diversify our revenue source through new products***. As we continue to develop and launch new products, we expect that our revenue will be further diversified. Currently, we expect to obtain several product approvals in the near future, with several products under late-stage clinical trials or PK-BE trials. Leveraging our existing distribution network, we believe these products will further improve our profitability.

- ***Continue to improve selling and distribution efficiency and output***. During the Track Record Period, we engaged third-party distributors for delivering our products to hospitals, pharmacies and other customers and promoters to market our products under the VBP scheme. Given the large sales networks and collaborative relationships with local hospitals and physicians of many distributors, we have decided to increase collaboration with distributors and consolidate the responsibilities of sales and marketing and product delivery for more streamlined operations. As our distributors may undertake increasing sales and marketing activities, we may adjust product pricing considering their increased responsibility. In light of this, we may also engage fewer third-party promoters going forward, pursuant to which we may reduce our selling and distribution expenses.

- ***Enhance economies of scale to control administrative expenses***. We have benefited from operational efficiency arising from the economies of scale we have achieved and will continue to actively control our administrative expenses and expect that our administrative expenses as a percentage of revenue will continue to decrease as our business expands. We also plan to improve our operating efficiency by continuously upgrading our budget control system to drive cost-efficient business operation.

Our Directors believe that, considering the above, our business is, and will continue to be sustainable and profitable in the future.

RESEARCH AND DEVELOPMENT

R&D is crucial for our continuous success. As of December 31, 2024, we had over 171 employees responsible for our R&D activities, with approximately 96.5% holding bachelor's degrees or above in biology or related fields. Our R&D team is led by a number of distinguished scientists with extensive experience in inhalation formulation drug development, including our co-founder, chairperson of Board and chief executive officer, Dr. LIANG who has over 16 years of experience in supervising the development programs of both generic and new inhalation drugs and our co-founder and chief scientific officer, Dr. LI LI BOVET, who has over 30 years of experience in respiratory drug development and has led the development of several approved inhalation formulation products; Dr. Jean-Marc Bovet, who has over 20 years of experience in pharmaceutical R&D and has led the development of our manufacturing process and Dr. Qi Li, who has over 25 years of pharmaceutical development expertise, including having successfully obtained FDA approvals for six inhalation products as well as NDAs for both improved and generic drugs in the U.S. and European markets.

We have established an R&D center at our headquarters, which includes several key departments: the inhalation drug development center, technology service center, technology development department, and innovation department. Our inhalation drug development center serves as our primary R&D hub, further divided by formulation type. The technology service center is responsible for our collaborations and technical services, as well as drug projects. The technology development department focuses on developing inhalation devices suitable for our products, while the innovation department is tasked with developing novel compounds for use in our products. Our R&D expenses amounted to RMB107.2 million, RMB132.8 million and RMB121.8 million for 2022, 2023 and 2024, respectively. In addition, we recognized capitalized R&D costs as additional deferred development costs of RMB16.1 million, RMB26.7 million and RMB38.7 million, respectively. As such, our total R&D costs in 2022, 2023 and 2024 amounted to RMB123.3 million, RMB159.5 million and RMB160.5 million, respectively.

Generally, the development of an inhalation formulation product involves the following stages:

- ***Project initiation.*** We actively follow the latest technological developments in the APIs used in inhalation formulations, particularly inhaled combination drugs, which we believe have greater commercial potential. Leveraging our ability to develop and manufacture all formats of inhalation formulations, we are confident in our capacity to select the most suitable formats for each product candidate based on the characteristics of the API and the target population group.

- ***Pre-clinical studies.*** Our pre-clinical studies typically involve four stages. First, we conduct small-scale testing, during which we primarily focus on optimizing the formulation and the manufacturing process. Next, we carry out pilot testing that focus on scalable manufacturing testing and verification. Afterwards, we conduct various assessments to evaluate the stability and consistency of our product candidate. Finally, we perform *in vitro* bioequivalence tests to simulate the clinical and safety profile of our product candidate. As of the Latest Practicable Date, we also had approximately 20 other early-stage inhalation formulation R&D projects, in addition to our products and product candidates set forth above.

- ***Clinical trial.*** In most cases, we are required to conduct clinical trials to evaluate the profile of our product candidates in human subjects. We normally select PIs and trial sites that have experience in clinical trials of similar products or are familiar with inhalation formulations. In addition, from time to time, we also engage CROs to assist us with certain ancillary tasks in relation to our clinical trials. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disagreements or disputes with the PIs or trial sites in relation to the development and clinical trials of our product candidates.

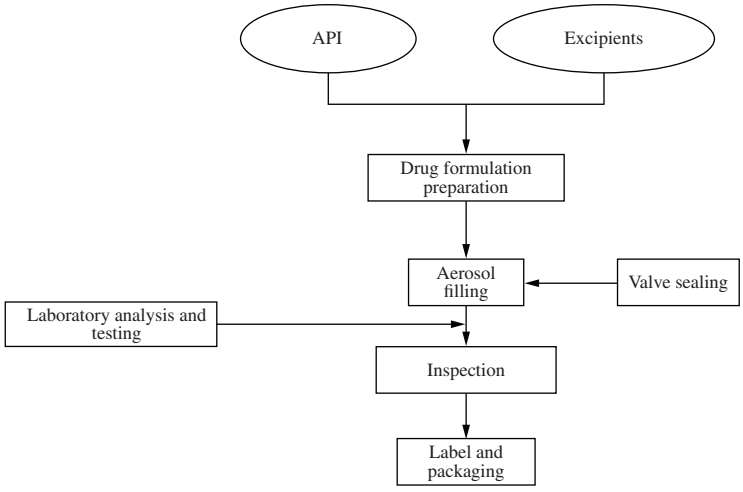
- ***Product registration.*** If the PI determines that the product candidate has met its primary endpoints in the clinical trial, we will initiate the product registration process. Leveraging our extensive regulatory affairs experience with the NMPA, EMA, and FDA, we believe we can complete the process efficiently. For our products that do not require a clinical trial, we will submit product registration if our in-house R&D team concludes that it has met the criteria for product registration in the target market.

MANUFACTURING

Production Process

As a company with a comprehensive inhalation formulation portfolio covering all existing formats, we believe that maintaining scalable manufacturing while ensuring product quality at relatively low costs is crucial for our future growth. We have developed proprietary manufacturing techniques for each major format of inhalation formulation to enhance our manufacturing efficiency and established scalable manufacturing capability. The following diagrams illustrate the production process for our major inhalation formulation.

MDI

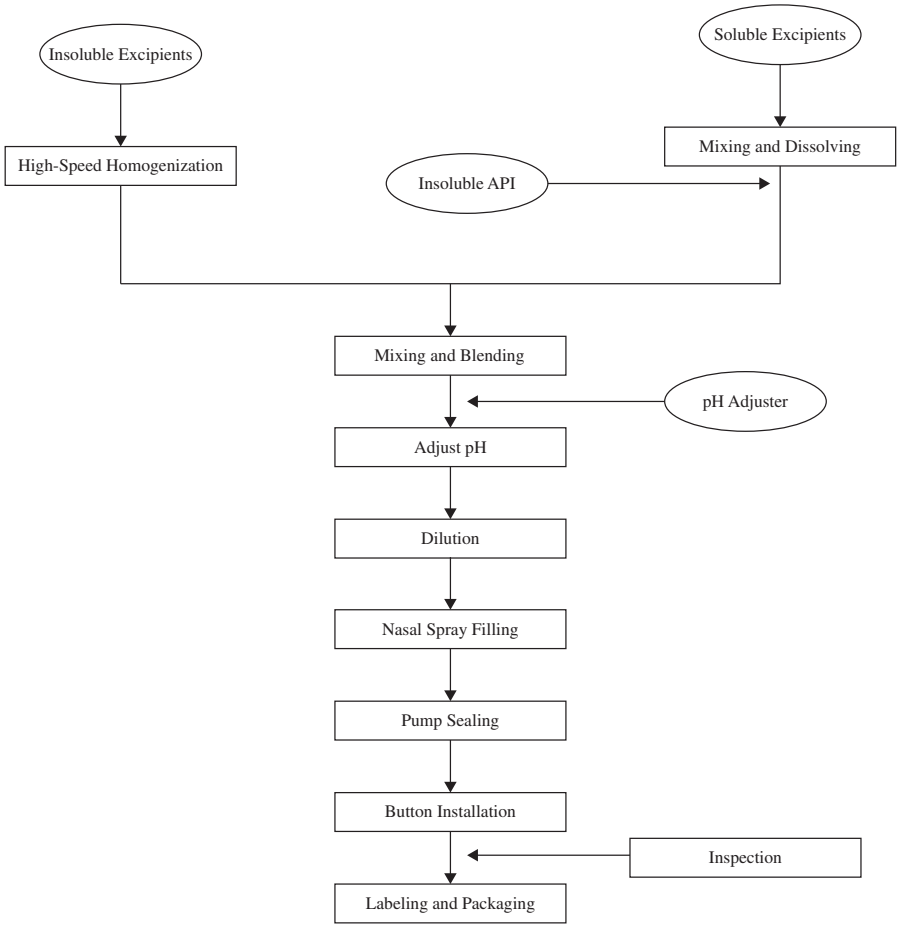


For MDI products, the major manufacturing challenge is maintaining particle stability and consistency in terms of size distribution, morphology, and characteristics of the API throughout the entire manufacturing process. Leveraging our particle engineering characterization technology, we have developed proprietary methods to achieve stable and scalable manufacturing.

Nebulizer

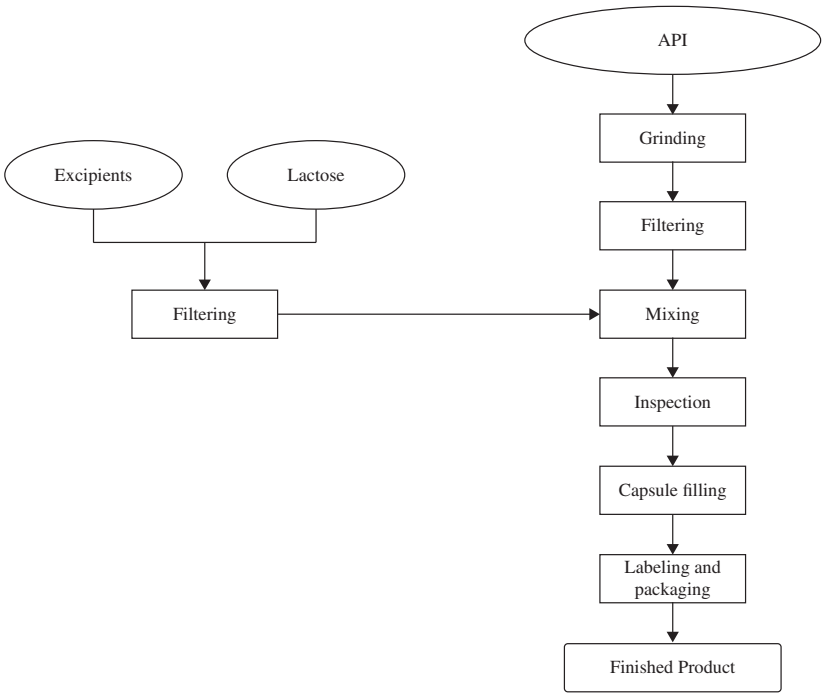
For nebulizers, the key manufacturing challenge is maintaining particle stability in terms of distribution and size during the sterilization process. Leveraging our particle engineering characterization technology and *in vitro-in vivo* correlation study technology, we have successfully maintained stable particles regarding distribution and size, as well as bioequivalence between *in vitro* and *in vivo* studies.

Nasal Spray



For nasal sprays, in addition to maintaining particle stability, the manufacturing process requires the addition of a suspension aid, which imposes greater demands on the sequence of material addition. Utilizing our proprietary inhalation formulation technologies, we have been able to maintain consistent particle stability throughout the manufacturing process.

DPI



The manufacturing of DPI products involves a combination of drug and devices. In addition to maintaining particle stability, it is also important to design and develop a suitable delivery device. We have successfully designed and developed our proprietary delivery device for our powder inhalation formulation products, which we believe is well-suited for the APIs we use and can enhance the stability of our powder inhalation products.

Manufacturing Facilities

We manufacture our products at our facilities in Suzhou, Jiangsu province. Our manufacturing facilities have a total GFA of 8,163 square meters. Currently, our manufacturing facility can support the manufacturing of 240.0 million vials of suspension nebulizers, 50 million vials of solution nebulizers, 4 million canisters of nasal sprays, 2 million canisters of MDI products and 24 million doses of DPI products per year. As of December 31, 2024, 61.4% of the total GFA has come into use, and we have a manufacturing team of 129 employees. In addition, we are expanding our manufacturing capabilities through a two-phase construction project. Phase I, scheduled for completion by the end of 2025, will primarily focus on soft mist inhaler (SMI) and nasal spray products. The first part of Phase II, expected to be operational by the end of 2026, will be dedicated to MDI and liposome products. Following these expansions, our manufacturing facilities will be able to support the manufacturing of 575 million vials of nebulizers in suspension or solution forms, 19 million canisters of nasal sprays, 14 million canisters of MDI products, 24 million doses of DPI products and 600 thousand liposome products per year.

Our manufacturing machinery and equipment primarily includes laser particle size analyzers, spray pattern and plume geometry analysis instruments, multi-stage cascade impactors, breath simulators, high-precision flow meters, critical flow controllers, and high-flow vacuum pumps, among others. We currently own all the equipment used in our manufacturing process. We perform routine and preventative maintenance on our machinery and equipment to ensure their proper functioning. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material interruptions to our production process due to machine or equipment failure.

Production Capacity

We have built scalable manufacturing capabilities for all the inhalation formulation formats that we are developing, allowing us to transform our R&D assets to successful commercial products. Considering that 96.2%, 98.4% and 94.5% of our revenue is generated from sales of CF017 in 2022, 2023 and 2024, respectively, our manufacturing line was primarily used for suspension nebulizer products, while the production lines for other inhalation formulation formats were primarily used to support commercialization of other products and our R&D activities on a by-batch and as-needed basis. The following table sets forth the production capacity, actual production volume and utilization rate for our suspension nebulizers for the period indicated.

	As of/For the year ended December 31,									
	2022			2023			2024			
Inhalation Formulation Product	Production capacity[1]	Production volume	Utilization rate[2]	Production capacity[1]	Production volume	Utilization rate[2]	Production capacity[1]	Production volume	Utilization rate[2]
	000'	*000'*	*(%)*	*000'*	*000'*	*(%)*	*000'*	*000'*	*(%)*
Suspension nebulizer	175,600	140,849	80.2%	190,680	182,960	95.9%	240,000	234,175	97.6%

Notes:

(1) The production capacity refers the maximum doses of inhalation formulations we can produce assuming our manufacturing facilities are in operation for 25 days per month and 24 hours per day, taking into account the efficiency of our manufacturing equipment.

(2) The utilization rate is calculated by dividing production volume by designed production capacity.

COMMERCIALIZATION

Sales Model

During the Track Record Period, we primarily adopted a distribution model to commercialize our products, particularly our inhalation formulation products. To a lesser extent, we also generate revenue from direct sales of our consumer health products through e-commerce platforms. According to F&S, the adoption of a distribution model is in line with the industry norm in China.

Prior to late 2024, our sales and marketing activities were primarily led by our marketing center. In late 2024, as approved by Dr. Liang, our Chairperson and chief executive officer, we conducted an internal reorganization to streamline the marketing center's structure to create a more efficient and flatter organizational framework ("**Restructuring**"). Following the Restructuring, the functions of the marketing center were delegated to four key personnel, who directly report to Dr. Liang Bill Wenqing, our chief executive officer, executive director and chairperson of the Board. They are Mr. Wei Wei, our head of finance, Mr. Shen Weiliang, who is responsible for our medical marketing activities, Ms. Zhang Jingjing, our human resource manager, assistant general manager and deputy general manager of the marketing center, and Mr. Liu Jibo, who is responsible for our business development activities. Under the new structure, these four personnel effectively cover all key functions within our marketing center. This flat organizational design enables smooth and streamlined management of sales and marketing activities.

During the Track Record Period, our revenue was primarily derived from sales of CF017. For example, in 2024, the sales volume of CF017 reached 209.5 million, whereas the sales volume of CF018 only reached 341.1 thousand. In addition, we also recorded sales volume of 270.0 thousand for CF038 and 205.2 thousand for CF036. The following table summarizes the breakdown of our revenue from sales of products by sales channels.

	For the year Ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Distributors						
CF017						
VBP	269,447	77.9	441,023	79.7	489,779	81.2
Non-VBP	66,494	19.2	106,740	19.3	84,713	14.0
CF018	416	0.1	1,330	0.2	23,888	4.0
Others[(1)]	5,575	1.6	1,339	0.2	417	0.1
Subtotal	**341,933**	**98.8**	**550,432**	**99.5**	**598,797**	**99.3**
Direct sales	4,060	1.2	2,799	0.5	4,428	0.7
Total revenue from sales of products	**345,993**	**100.0**	**553,231**	**100.0**	**603,225**	**100.0**

Note:

(1) Others refer to CF036 and CF038

Future Commercialization Strategy

In May 2021, CF017 was approved by the NMPA. Subsequently, CF017 was included in the VBP scheme in June 2021 (the "**2021 VBP Scheme**") with a period of three years. As of the Latest Practicable Date, we had completed the VBP status inclusion for CF017 in an alliance led by Jiangsu province (the "**Jiangsu Alliance**") for the 2025 VBP Scheme, which consists of 11 provinces. The effective period for the 2025 VBP Scheme in Jiangsu Alliance is three years. Meanwhile, we are also proactively expanding CF017's market entrance through VBP bidding of other alliances, as well as through increasing sales in retail and non-VBP sales channels and overseas opportunities.

Growth of Budesonide Suspension Market

Budesonide suspension is an ICS drug commonly used for the maintenance and treatment of asthma. According to Frost & Sullivan, the number of asthma patients in China reached 69.6 million in 2024, and is expected to increase to 80.0 million in 2033. Asthma treatment primarily focuses on symptom control and relief and is generally determined based on the severity of the patient's conditions. ICS is a common maintenance drug for asthma, which is normally used daily long-term and budesonide suspension is one of the most common ICS drug prescribed for the maintenance of asthma.

In light of its significant clinical and efficacy profile, we believe that budesonide suspension presents significant market opportunities. Compared to other asthma drugs, budesonide suspension has significant clinical advantages. For example, in a placebo-controlled study in a large cohort of pediatric asthma patients over a 12-month period, budesonide demonstrated that it was superior in terms of efficacy as compared to salmeterol, a LABA, or placebo in the management of persistent pediatric asthma. Notably, budesonide's clinical applications extend significantly beyond asthma, as evidenced by numerous clinical guidelines and expert consensuses published between 2016 and 2023. These guidelines, issued by various professional medical associations and expert groups, support its use in multiple common respiratory and ear, nose and throat conditions, such as COPD and cough. The extensive patient base across these diverse indications, coupled with its favorable safety profile and lower dosage requirements compared to oral glucocorticoids, has contributed to its established position in respiratory medicine.

Further, although there are other inhalation formulation types for budesonide, budesonide suspension, as a nebulizer, presents clinical advantages and accounts for over 98% of the total budesonide inhaled drug market of China in 2024 in terms of sales revenue. By delivering the medication directly to the lungs in a fine mist, the nebulizer ensures optimal deposition of the drug in the airways, leading to significant improvements in lung function and symptom control.

This mode of delivery is particularly advantageous for patients who may struggle with the coordination required for using DPIs or MDIs, such as young children, elderly individuals, or those with severe respiratory impairment.

As a result of these advantages, according to Frost & Sullivan, China's budesonide suspension market is expected to experience steady growth, growing from RMB5.7 billion in 2024 to RMB7.5 billion in 2033 at a CAGR of 3.1%.

Sales of CF017 via VBP Channel

In June 2021, CF017 was included in the VBP list in the 2021 VBP Scheme for eight provinces, namely Jiangsu, Hubei, Sichuan, Jiangxi, Tibet, Shanxi, Tianjin and Liaoning. A VBP inclusion status normally has an effective period of three years and therefore the 2021 VBP Scheme was expired by the end of 2024. Under the 2021 VBP scheme, each product included in the VBP shall be the only product of its kind sold to public hospitals in the relevant province. As such, CF017 enjoyed exclusive VBP sales in these eight provinces under the 2021 VBP Scheme. Following the inclusion, the provincial healthcare security administration will coordinate with hospitals within the province and will enter into procurement agreement with us directly. In this way, we did not need to negotiate with public hospitals for the procurement amount under the 2021 VBP Scheme. The unit price of CF017 under the 2021 VBP Scheme was RMB3.19 and the minimum annual procurement amount of the first year under the 2021 VBP Scheme was 40.7 million doses. The following table illustrates the minimum annual procurement amount and the actual procurement amount in each province under the 2021 VBP Scheme.

	Unit Price under the 2021 VBP Scheme[(1)]	Minimum Annual Procurement Amount	Actual Procurement Amount		
			For the year ended December 31,		
			2022	2023	2024
			('000)		
Sichuan	RMB3.19	5,186.4	20,144.7	38,606.4	50,852.7
Jiangsu		16,120.9	29,160.3	39,268.8	39,125.7
Hubei		6,846.5	18,893.7	30,510.0	27,450.0
Jiangxi		4,669.7	12,474.0	19,521.0	23,759.8
Shanxi		3,126.2	8,010.0	12,022.2	13,779.0
Liaoning		2,272.2	6,062.2	13,050.0	13,455.0
Tianjin		2,137.8	3,809.7	8,688.6	10,597.5
Tibet		373.8	1,026.0	1,341.0	1,674.0
Total		**40,733.5**	**99,580.6**	**163,008.0**	**180,693.7**

Note:

(1) The unit price represents the price at which CF017 is sold to hospitals.

Under the 2021 VBP Scheme, the actual procurement amount in each province exceeded the minimum annual procurement amount. During the Track Record Period, we only experienced slight decrease in actual procurement amount in Jiangsu and Hubei in 2024, primarily because the prevalence of asthma, COPD and other respiratory diseases in those provinces.

Upon expiry of the 2021 VBP Scheme, the government has initiated the VBP renewal process with a different approach. For details, see "Regulatory Overview — Other Laws and Regulations In Relation To Medical Industry — Volume-based Procurement Scheme and Bidding Process." Under the VBP scheme in early 2025 (the "**2025 VBP Scheme**"), it is organized through local procurement alliances, which normally consist of several provinces and multiple products of the same kind can be included in the VBP list of an alliance and hospitals within the alliance have the flexibility to choose which products to procure. Following the inclusion, we need to negotiate with each hospitals and hospitals will submit their intended minimum procurement amount to the provincial healthcare security administration, which will then enter into procurement agreement with us. Therefore, pharmaceutical companies no longer negotiate at the provincial level on procurement volume but instead negotiate with each hospital under the VBP scheme.

Compared to the 2021 VBP Scheme, the 2025 VBP Scheme introduces a more decentralized approach, where procurement decisions are made at the hospital level rather than the provincial level. While this may lead to greater variability in procurement volumes, it also offers increased flexibility for hospitals to respond to actual clinical demand. We believe this new approach may create opportunities for CF017 to reach a broader range of hospitals and patients, as purchasing decisions will be more closely aligned with clinical demand. We will continue to closely monitor the implementation of the 2025 VBP Scheme and proactively adapt our sales strategies to capture potential growth opportunities.

As of the Latest Practicable Date, Jiangsu Alliance was the only alliance that completed the VBP renewal process. The Jiangsu Alliance consists of 11 provinces, namely Jiangsu, Anhui, Hubei, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu and Qinghai, among which Jiangsu, Hubei and Sichuan were provinces overlapping with the 2021 VBP Scheme. As of the same date, none of the other provinces have completed their VBP scheme renewal process. For provinces that have not completed the VBP renewal process, as a market practice, public hospitals will continue procurement in accordance with the 2021 VBP scheme results. As advised by Frost & Sullivan, generally, public hospitals will continue to procure according to the existing expired VBP scheme and the minimum procurement amount until renewal. This is because manufacturers have already adjusted drug prices post their VBP inclusion, and public hospitals tend to procure from manufacturers who won previous VBP bids. As advised by our PRC Legal Advisor, according to the PRC Civil Code, after the expiration of a contract, if both parties continue to engage in transactions in accordance with the lapsed contract, then their actions still constitute a valid contract. We currently anticipate that provinces under the 2021 VBP Scheme that have yet to complete the VBP renewal status will initiate their renewal process in the second and third quarter of 2025 and will complete by 2026.

The following table illustrates the unit price, minimum procurement amount and effective date and effective period of the 2025 VBP Scheme for each province under the Jiangsu Alliance as of the Latest Practicable Date:

Province	Unit Price[2]	Minimum Annual Procurement Amount of the first year under the 2025 VBP Scheme	Effective date	Effective Period
Overlapping Provinces with 2021 VBP Scheme				
Jiangsu	RMB2.95	9.0 million	January 1, 2025	Three years
Hubei	RMB2.95	5.3 million	April 30, 2025	
Sichuan	RMB2.95	3.5 million	February 28, 2025	
Subtotal		**17.8 million**		
New Provinces				
Anhui	RMB2.95	0.6 million	March 3, 2025	
Guangxi		0.3 million	March 1, 2025	
Chongqing		0.1 million	February 20, 2025	
Guizhou		0.2 million	January 15, 2025	
Yunnan		0.9 million	January 1, 2025	
Shaanxi		0.1 million	April 1, 2025	
Gansu		0.1 million	February 15, 2025	
Qinghai[1]		N/A	N/A	
Subtotal		2.3 million		
Total		20.1 million		

Notes:

(1) The Company has strategically chosen not to enter into the Qinghai market, considering its relatively small market size.

(2) The unit price represents the price at which CF017 is sold to hospitals.

Notably, the minimum annual procurement amount set forth above only represented the minimum procurement amount that each hospital submitted to the provincial healthcare security administration. In some provinces, we include a sales target clause in its distribution agreement with distributors for VBP channels. The total sales targets amount under these distribution agreements amount to over 58 million doses. Based on our sales performance during the Track Record Period, it is noted that the actual sales volume of CF017 has significantly exceeded the minimum purchase amounts stipulated under the 2021 VBP scheme, and thus we expect that the sales of CF017 will continue to be beyond the minimum procurement amount under the current VBP renewal.

As of the Latest Practicable Date, Henan Alliance was the only provincial alliance other than Jiangsu Alliance that had been formed for the 2025 VBP Scheme, where the VBP inclusion for budesonide suspension had not yet initiated. Henan Alliance contains 22 provinces and production and construction corps, namely Henan, Shanxi, Inner Mongolia, Liaoning, Jilin,

Heilongjiang, Jiangxi, Hubei, Hunan, Guangxi, Hainan, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang and Xinjiang Production and Construction Corps. In addition, we currently anticipate that the remaining provinces will also join at least one alliance for 2025 VBP Scheme. Based on the previous rounds of VBP negotiation for other pharmaceutical products, and with the provincial composition inferred from past experience, we currently anticipate that Guangdong Alliance (including 13 provinces namely Guangdong, Anhui, Fujian, Jiangxi, Hubei, Hunan, Chongqing, Sichuan, Yunnan, Tibet, Shaanxi, Gansu and Xinjiang) and Shanghai Alliance (including 15 provinces namely Beijing, Tianjin, Shanghai, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Hubei, Hunan, Chongqing, Sichuan, Yunnan, Tibet and Gansu) will also be formed. As illustrated above, all the provinces will be under an alliance under the VBP scheme. However, alliance composition may change in future negotiations as provinces have flexibility to join different alliances. For provinces belonging to multiple alliances, pharmaceutical companies can strategically choose which alliance to negotiate with regarding VBP inclusion and minimum procurement commitments. We plan to negotiate will all these provinces for the inclusion of CF017 in the 2025 VBP Scheme for all these provinces, thereby potentially capturing a larger market share in China.

Under the 2025 VBP Scheme, we have streamlined its distribution model where distributors for VBP channels are expected to undertake increasing sales and marketing activities. As at the Latest Practicable Date, we have entered into supply arrangements with each province under the Jiangsu Alliance, expect for Qinghai, where we have strategically chosen not to enter into considering its relatively small market size. Under the 2025 VBP Scheme, the unit price of CF017 is RMB2.95 for Jiangsu Alliance, and the aggregate minimum annual procurement amount for the first year under the 2025 VBP Scheme for Jiangsu Alliance (excluding Qinghai) is 20.1 million doses, which only represented the minimum procurement amount that each hospital submitted to the provincial healthcare security administration. In some provinces, we also include a sales target clause in its distribution agreement with distributors for VBP channels. The total sales targets as of the Latest Practicable Date amount under these distribution agreements amount to over 58 million doses, which significantly exceeded the minimum procurement amount. Based on our sales performance during the Track Record Period, it is noted that the actual sales volume of CF017 well exceed the minimum purchase amounts stipulated under the 2021 VBP scheme, and thus we expect that the sales of CF017 will continue to be beyond the minimum procurement amount under the current VBP scheme.

In the three months ended March 31, 2025, we recorded sales volume of 41.6 million doses through VBP channels, which remained relatively stable with the sales volume for the same period in 2024, consisting of 40.2 million doses through provinces covered by the 2021 VBP Scheme (including Jiangsu, Hubei and Sichuan) and 1.4 million doses through new provinces covered by the 2025 VBP scheme. Notwithstanding that the 2025 VBP scheme in many new provinces only came into effect in February and March 2025, on a pro-rata basis, the actual procurement amount significantly exceeded the minimum procurement amount of these provinces (equivalent to 0.46 million in three months).

Our Directors are of the view, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on such view, that the inclusion of CF017 in the 2025 VBP Scheme will not have a material and adverse impact on our financial performance and business operations going forward, taking into account the following factors:

- According to Frost & Sullvan, budesonide suspension will continue to have significant market potential. Clinical guidelines and expert consensus in China have recommended to use budesonide suspension in COPD, brochiectasis and chronic brochtis. The addressable market for budesonide suspension amounted to over 260 million population in 2024 in China. As such, the budesonide suspension market is expected to experience steady growth, growing from RMB5.7 billion in 2024 to RMB7.5 billion in 2033 at a CAGR of 3.1%.

- Under the 2025 VBP Scheme, although CF017 did not enjoy exclusivity in any provinces in China, CF017 will be able to compete with other products in all the provinces in China. Although as of the Latest Practicable Date, only Jiangsu Alliance had completed the inclusion and renewal process for the 2025 VBP Scheme, we have already secured a minimum procurement amount of 20.1 million doses per year. Notably, we already achieved sales through VBP channels of 41.6 million in the first quarter of 2025, even if most of the provinces have not initiated their VBP status inclusion and renewal negotiation. As such, we expect that the actual procurement amount will significantly exceed the minimum procurement amount. We also plan to participate in VBP scheme negotiation for other alliances, which will enable us to capture a larger market share.

Sales of CF017 via Non-VBP Channels

According to Frost & Sullivan, in light of its relatively low price and the increasing awareness of asthma, budesonide suspension market is also expected to experience steady growth in non-VBP channels (mainly retail market), and the retail market is expected to account for 35% of the total market in 2033. Since the approval of CF017, we have been actively expanding its production capacity, increasing from 24.9 million doses in 2021 to 240.0 million doses in 2024. Since we only had a limited production capacity historically, during that time we strategically prioritized its production capacity to supply VBP channels. Revenue generated from CF017 through non-VBP channels only represented 19.2%, 19.3% and 14.0% of our total revenue generated from CF017 in 2022, 2023 and 2024, respectively. With its expanded production capacity, we believe we are well-positioned to further penetrate CF017 in non-VBP channels in China.

Starting from late 2024, we have been actively exploring various opportunities with business parties to sell CF017 via non-VBP channels. As of the Latest Practicable Date, we had entered into various distribution and/or collaboration agreements with our business partners (including nationwide pharmaceutical distribution company, digital pharmaceutical platforms, online pharmaceutical service company and pharmaceutical digital marketing platforms) to distribute and market CF017 and some of other products in various online and offline channels.

As a result, we achieved sales of 6.5 million doses of CF017 in non-VBP channels in the first quarter of 2025, increasing from 5.9 million doses in the same period in 2024. We believe that the sales through non-VBP channels will continue to increase as we continue to cultivate non-VBP channels. In addition, we are advancing the product registration for CF017 in overseas markets, such as Middle East. For example, our manufacturing facilities for CF017 have passed the GMP certification of Saudi Arabia in March 2025, laying a solid foundation for our market penetration in Middle East. As a first step, we received a purchasing order with a contractual amount of US$350,000 from one customer in Saudi Arabia, which is expected to be delivered in May 2025.

Future Commercialization Strategy for Other Products

As of the Latest Practicable Date, we have five approved products other than CF017 and plans to gradually increase our sales and marketing efforts for these products through the following measures.

- ***CF018*** — CF018 was included in the NRDL in December 2023 and has recorded a significant sales volume and revenue growth since then. Its sales volume increased from 4.3 thousand in 2023 to 341.1 thousand in 2024 and its sales revenue has increased from RMB1.3 million in 2023 to RMB23.9 million in 2024. We plan to further leverage its NRDL inclusion to improve its sales performance.

- ***CF036 & CF038*** — CF036 and CF038 are both inhalation formulation products approved by the NMPA for bronchial asthma and are SABA medications that can be used to provide quick relief by relaxing the muscles in the airways and improving breathing. We plan to leverage cross-selling opportunities for CF036 and CF038 with CF017 through VBP channels to improve their sales performance. As of the Latest Practicable Date, CF036 was included in the VBP list by Jiangsu Alliance and the annual minimum procurement amount amounted to 166.4 thousand doses.

- ***GW006*** — GW006 is the our first approved product in the United States. We plan to advance its registration in markets that recognize its FDA approval, such as Southeast Asia and the Middle East.

- ***CF022*** — CF022 was approved in early 2025 and we are formulating its sales and marketing strategies. We currently expect that we will start to generate revenue from sales of CF022 in 2025.

In addition, we have over 20 product candidates under various stages of development. As these products gradually approach registration and commercialization, we believe that these products will further diversify our revenue source. For example, we are in the process of preparing the product registration application for CF006/CF043, a salmeterol/fluticasone MDI aerosol candidate, which is expected to be submitted to the NMPA in 2025. As the fourth highest selling globally and in China in 2024, we believe this drug candidate, once approved, will account for a significant portion of its revenue in the future.

Movement of Distributors

We adopt a distribution model primarily because this enables us to efficiently deepen our market penetration in a cost-effective manner. We have a seller-buyer relationship with our distributors. As of December 31, 2022, 2023 and 2024, we engaged 76, 79 and 95 distributors, respectively. As of December 31, 2024, our distribution network spun over 31 provinces in China. Most of our distributors provide end-to-end delivery of our products to hospitals and pharmacies. The following table sets forth the total numbers of our distributors to whom we directly sold our products and their movement during the Track Record Period.

	For the year ended December 31,		
	2022	2023	2024
Number of distributors at the beginning of the period	69	76	79
Number of new distributors during the period	30	14	36
Number of discontinued distributors during the period	(23)	(11)	(20)
Number of distributors at the end of the period	76	79	95

The following table sets forth the breakdown of our revenue from sales of products to distributors during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Existing distributors	297,747	87.1	544,538	98.9	585,936	97.9
New distributors	44,186	12.9	5,894	1.1	12,861	2.1
Total	**341,933**	**100.0**	**550,432**	**100.0**	**598,797**	**100.0**

We started to expand our distribution network in 2021, with 69 distributors engaged as of January 1, 2022. Substantially all of these distributors were new distributors engaged in 2021 and many of which were engaged for VBP channels that we were in negotiation with the relevant authorities at that time. In June 2021, CF017 was included in the VBP scheme for eight provinces. While we continue to expand our distribution network in 2022 for non-VBP channels, we terminated 23 distributors, primarily because these distributors were located in the provinces that we intend to include CF017 in the VBP list but failed. In 2023 and 2024, we terminated 11 and 20 distributors, primarily because we chose to consolidate our distribution network of non-VBP channels and decided not to collaborate with several distributors that we believed were under-performing to optimize our sales network. In 2022, 2023 and 2024, revenue from sales to discontinued distributors accounted for less than 5% of the total revenue of the respective preceding year. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any disputes or disagreements with the discontinued distributors.

Distributor Management

We primarily select our distributors based on various criteria, including their scale and geographical coverage, capabilities in pharmaceutical procurement bidding, experience with inhalation formulation products, reputation, industry track record, delivery capabilities, compliance record, financial conditions, and creditworthiness.

We primarily rely on the distribution agreements, policies, and measures we have in place to manage our distributors, ensuring that our sales to them reflect genuine market demand and their compliance with the terms and conditions of the distribution agreement. If we identify any potential non-compliance issues with a distributor, we address these issues with the relevant distributor and require them to rectify the situation within a specified period. If the non-compliance is not resolved within that timeframe, we are entitled to terminate the distribution agreement.

During the Track Record Period, to the best of our Directors' knowledge, all of our distributors were Independent Third Parties, and none were controlled by our current or former employees. None of our Directors or their respective associates or any shareholder of our Company who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company, have any interest in any of these distributors, and none of our Directors or their respective associates and our Single Largest Group of Shareholders have any present or past relationship (other than their relationship through our Group) with any of these distributors. In addition, to our best knowledge, there was no past or present relationship or arrangement, including family, business, financing, guarantee or otherwise, between us and our distributors during the Track Record Period.

Terms of Distribution Agreement

Key terms of our distribution agreement are summarized as follows:

- **Authorization and territory.** The agreement grants the distributor authorized rights to distribute products within a specified territory.

- **Term.** Our distribution agreements normally have a term of one year.

- **Sales targets and pricing.** The agreement does not contain a minimum sales requirement but sets sales targets, and in normal cases, distributors that meet or exceed the sales target will automatically enjoy a price discount of 1% in the next year. During the Track Record, generally our distributors can meet their sales targets. These sales targets primarily aim to incentivize our distributors to achieve higher sales performances, rather than a strict minimum sales volume clause. As such, we do not penalize our distributors in the event that they fail to achieve their respective sales targets.

- **Payment and delivery.** Payment terms require advance payments prior to shipment. After receiving the distributor's order and payment, we will deliver the goods and are responsible for transportation and costs. For certain key distributors, we may grant a credit term of 60 to 90 days.

- **Responsibility.** Currently, our distributors are primarily responsible for delivery of our products and, starting from early 2025, sales and marketing activities.

- **Returns and exchanges.** Our products are not eligible for returns unless there are defects or failure to delivery.

- **Anti-bribery and anti-corruption.** Both parties are committed to adhering to anti-bribery and anti-corruption laws, ensuring ethical business practices throughout the distribution process.

- **Confidentiality.** Both parties shall maintain strict confidentiality regarding the agreement and any information learned or acquired through the signing or performance of the agreement, including but not limited to each other's product plans, sales plans, incentive policies, customer information, trade secrets, financial information, and any other related information.

- **Termination.** Either party may terminate the agreement if the other party commits a material breach and fails to remedy such breach within 30 days after receiving written notice. The breaching party shall compensate the non-breaching party for any losses incurred as a result.

Prevention of Cannibalization and Channel Stuffing

We have adopted the following measures to actively monitor inventory accumulation and usage by end-customers of our products.

- **Regular spot check and communication.** We regularly conduct spot checks on the warehouse operated by our distributor to ensure the accuracy of their sales and inventory statistics. In addition, we regularly communicate with our distributors to monitor their inventory levels of our products in the distribution channel to avoid shortages or abnormal inventory build-up.

- **Short credit term.** We normally require our distributors to make full payment prior to shipment and we only grant a short credit term of 60 to 90 days for a limited number of distributors that we consider crucial to our business.

- **Distribution restrictions.** Our distribution agreements specifically set out geographic regions where we authorize each regional distributor to sell our products and they are not allowed to sell our products in other regions.

- **Minimal product returns.** Under our distribution agreement, we only allow our distributors to return our products if there are product defects or failure to delivery. In each of 2022, 2023 and 2024, sales returns only account for 0.82%, 0.78% and 0.72% of our revenue from sales of products through distributors for the corresponding years, respectively.

In normal cases, our distributors are required to maintain an inventory level of less than two months. As we normally require our distributors to make full payment prior to shipment, we believe our distributors are incentivized to place orders based on the actual market demand. Further, we conduct audit from time to time to ensure that the inventories of our distributors are in line with their expected sales.

Impact of the two-invoice system

Since early 2017, the two-invoice system has been gradually implemented across China. The two-invoice system permits a maximum of two invoices along the sales chain from a pharmaceutical manufacturer to a public medical institution in China. It currently applies to the sales of all pharmaceuticals to public medical institutions in all provinces, municipalities and autonomous regions in China. See "Regulatory Overview — Other Laws and Regulations In Relation To Medical Industry — Two Invoice System."

In accordance with the two-invoice system, we only have one-layer of regional distributors for our inhalation formulation products sold to hospitals and public medical institutions in the provinces that our products were included in the VBP list. That being said, during the Track Record Period and up to the Latest Practicable Date, we did not engage any sub-distributors for products sold to VBP channels. As advised by our PRC Legal Advisors, in the event that our distributors are found to have engaged sub-distributors for its sales to public medical institutions in China and violates the "two invoice system," the distributor will be subject to penalties including disqualification of public bidding or distribution of pharmaceutical products and inclusion in the incredible pharmaceutical procurement record; however, as of the Latest Practicable Date, there were no effective PRC laws or regulations that explicitly stipulated whether we shall bear the legal consequences for the aforementioned behavior of our distributors. Further, under the distribution agreement with these distributors, the distributors shall reimburse all the losses we incurred if they materially violated the applicable regulatory requirements in China. In order to maintain our compliance with the two-invoice system, we have adopted a series of internal control measures, including but not limited to (i) conducting background checks and qualification reviews to ensure that our distributors hold valid licenses, certifications, (ii) specifying the designated geographic areas for distribution in agreements with distributors, with provisions to terminate cooperation in the event of violations, (iii) reviewing transactions invoices to ensure consistency and compliance across the sales process, and (iv) conduct regular audits of sales channels on a monthly basis, requiring distributors to provide records of final sales destinations to hospitals or clinics. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any administrative penalties due to issues related to the two-invoice system.

For our products sold to non-VBP channels, for example, pharmacies and private medical institutions, the "two-invoice" system does not prohibit us from using sub-distributors. Accordingly, we do not prohibit these distributors to engage sub-distributors. In 2022, 2023 and 2024, we had 165, 137 and 116 sub-distributors that completed product sales to non-VBP channels. Our distributors are primarily responsible for monitoring the performance of the sub-distributors they engage. Although we do not directly enter into distribution agreement with our sub-distributors, we regularly monitor the performance of our distributors and sub-distributors and collect feedback from end-customers to ensure that these sub-distributors comply with the terms of the distribution agreement. We may require our distributors to terminate the sub-distributor if any material breach of the distribution agreement is identified. As advised by F&S, such practice is generally in line with industry norm.

Marketing

We adopt an academic approach in marketing our products, particularly our inhalation formulation products. Our in-house sales and marketing team is responsible for implementing our sales and marketing strategies, including determination of the market research that shall be conducted, participating in industry conferences and organizing academic seminars. We also engage third-party promoters, who assist us to conduct market analysis, market research, conduct hospital follow ups, and execute academic seminars and conferences under the guidance of our sales and marketing team. Our academic promotion activities primarily focus on introducing the advantages of inhalation formulations in treating patients with respiratory diseases and the advantages of our inhalation formulation products.

As of December 31, 2022, 2023 and 2024, we engaged 14, 14 and 15 third-party promoters. The following table sets forth the total numbers of our promoters and their movement during the Track Record Period.

	For the year ended December 31,		
	2022	**2023**	**2024**
Number of promoters at the beginning of the period	11	14	14
Number of new promoters during the period	5	2	2
Number of discontinued promoters during the period	(2)	(2)	(1)
Number of promoters at the end of the period	14	14	15

We normally enter into written service agreements with our promoters, key terms of which are summarized as follows.

- **Authorization and territory.** The agreement grants the promotor authorized right to promote products within a specified geographic area.

- **Term.** Our service agreements with promoters normally have a term of one year.

- **Responsibility.** The responsibility of the promoter primarily include (i) market information collection; (ii) market analysis; (iii) hospital, clinics and pharmacies penetration assistance and (iv) customer visits and adverse effects follow ups; among others.

- **Fees.** The service agreement normally sets out unit fees for each service that the promoter provide and the total service fees we pay to our promoters are based on each services they provided. Each activity category includes specific service items with detailed work content, measurement units, and fee standards. For example, for market information collection and market analysis, each market analysis is priced at RMB50,000 to RMB100,000 and each market information and competitor information collection is priced at RMB3,000 to RMB20,000. Hospitals, clinics and pharmacies penetration assistance is priced at RMB20,000 to RMB30,000 per institution. Depending on the nature, scale and location of the academic promotion meeting, our promoters charge us RMB300 to RMB2,000 per attendee per day or per time for academic promotion meetings that they provide assistance for. According to Frost & Sullivan, the aforementioned unit fees are generally comparable to market rates.

- **Anti-bribery and anti-corruption.** Both parties are committed to adhering to anti-bribery and anti-corruption laws, ensuring ethical business practices throughout the promotion process.

- **Non-Competition.** The promoter shall not provide services to companies that compete with our products, nor shall they directly or indirectly engage in business activities that present a conflict of interest with us.

- **Confidentiality.** The promoter shall not disclose our market information or any other related information to industry competitors or use such information for purposes unrelated to the performance of the agreement without authorization.

- **Termination.** Either party may terminate the service agreement by giving prior written notice to the other party in accordance with the terms of the agreement. The agreement may also be terminated immediately by either party in the event of a material breach, insolvency, or violation of applicable laws and regulations by the other party.

In 2022, 2023 and 2024, we terminated two, two and one promoter(s), primarily because we believed their hospital coverage and functions can be covered by other promoters.

In each of 2022, 2023 and 2024, our top five third-party promoters were established companies in the pharmaceutical services industry. We established relationships with these third-party promoters through standard industry channels such as business referrals, industry conferences, and market research. All engagements were initiated and maintained on normal commercial terms through arm's length negotiations. The following table sets forth our top five promoters during the Track Record Period.

	For the year ended December 31,		
	2022	2023	2024
1	Company A	Company A	Company A
2	Company B	Company C	Company F
3	Company C	Company F	Company G
4	Company D	Company E	Company E
5	Company E	Company D	Company H

Notes:

(1) Company A is a consulting and marketing service provider with established operations across Jiangsu Province, and with a business relationship with the Company since October 2021. Promotional activities and services provided comprised of market promotion and management of CF017 in Jiangsu Province. The ultimate beneficial owner of Company A is Chen Liangliang.

(2) Company B is a pharmaceutical marketing and distribution service provider with comprehensive operations across Sichuan Province, and with a business relationship with the Company since July 2021. Promotional activities and services provided comprised of market promotion and management of CF017 in Sichuan Province. The ultimate beneficial owner of Company B is Chen Qingquan.

(3) Company C is a pharmaceutical marketing and distribution services provider with operations throughout China, and with a business relationship with the Company since June 2022. Promotional activities and services provided comprised of market promotion and management of CF017 in Yunnan, Hunan, Guangdong, Guangxi, Shandong, Hebei, Zhejiang Provinces and certain other regions in China. The ultimate beneficial owner of Company C is Song Zhongyi.

(4) Company D is a pharmaceutical sales and marketing service provider with extensive operations primarily in Guangdong Province and Hubei Province, and with a business relationship with the Company since 2022. Promotional activities and services provided comprised of market promotion and management of CF017 in Hubei Provinces. The ultimate beneficial owner of Company D is Deng Chengyong.

(5) Company E is a pharmaceutical sales and marketing service provider with comprehensive coverage across Jiangxi Province, with a business relationship with the Company since October 2021. Promotional activities and services provided comprised of market promotion and management of CF017 in Jiangxi Province. The ultimate beneficial owner of Company E is Shi Jiaogang.

(6) Company F is a pharmaceutical sales and marketing service provider with extensive operations primarily in Sichuan Province, and with a business relationship with the Company since September 2022. Promotional activities and services provided comprised of market promotion and management of CF017 in Sichuan Province. The ultimate beneficial owner of Company F is Kong Lingbo.

(7) Company G is a healthcare marketing services provider with operations across multiple regions in China, and with a business relationship with the Company since November 2022. Promotional activities and services provided comprised of nationwide market promotion and management of CF017. The ultimate beneficial owner of Company G is Zhang Xinyu.

(8) Company H is a pharmaceutical marketing services provider with business operations nationwide focusing on medical device and pharmaceutical product promotion, and with a business relationship with the Company since October 2023. Promotional activities and services provided comprised of market promotion and management of CF017 in Hubei Province. The ultimate beneficial owner of Company H is Pan Ximeng.

The following table set out a breakdown of the amount and percentage of our business development expenses attributable to each of our top five promoters during each year of the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	Business Development Expenses	% of Total Business Development Expenses	Business Development Expenses	% of Total Business Development Expenses	Business Development Expenses	% of Total Business Development Expenses
	RMB'000		*RMB'000*		*RMB'000*	
Company A . . .	12,543	13.1	29,806	17.6	24,779	13.3
Company B . . .	12,014	12.5	11,177	6.6	15,022	8.1
Company C . . .	11,577	12.1	22,094	13.0	–	–
Company D . . .	9,267	9.7	15,053	8.9	7,917	4.3
Company E . . .	7,622	8.0	15,337	9.0	20,056	10.8
Company F . . .	2,646	2.8	21,127	12.5	22,917	12.3
Company G . . .	–	–	–	–	20,488	11.0
Company H . . .	–	–	5,070	3.0	16,592	8.9

To the best knowledge of our Directors, none of these third-party promoters and, their ultimate beneficial owners, had any past or present relationships (family, employment, financing or otherwise) with us or our distributors, including our/their respective subsidiaries, shareholders, directors, supervisors and senior management, and their respective associates, save for providing promotion services to us. Their responsibilities primarily included gathering industry and product information, and organizing professional academic activities to communicate the pharmacological mechanisms and clinical efficacy of our products. They also worked closely with healthcare professionals, collected feedback on clinical usage and hospital demand, increased our product coverage in key regions, and provided valuable commercial channel support and insights. We have not conferred any incentives to hospitals, physicians, distributors and/or other participants along the supply chain during the Track Record Period. As advised by our PRC Legal Advisers, our use of promoters in our sales and marketing activities comply with the relevant laws and regulations in China in all material aspects. In 2022, 2023 and 2024, we incurred RMB95.8 million, RMB169.6 million and RMB185.7

million in business development expenses, primarily including service fees we paid to third party promoters. The significant increase in our business development expenses was primarily because we increased our sales and marketing efforts to promote CF017.

During the Track Record Period, our third-party promoters were primarily engaged for the sales and marketing of CF017 under the 2021 VBP Scheme. In line with the 2025 VBP Scheme inclusion of CF017, we strategically decided to streamline our sales and marketing practice, by consolidating the functions of third-party promoters to our distributors. In this way, we expect that we will gradually engage fewer, and eventually cease to engage third party promoters going forward. This strategic decision is also supported by the fact that our major distributors under the VBP channels are also capable of conducting marketing activities and undertaking the responsibilities of third-party promoters.

PRICING

For our marketed products, we have formulated a competitive pricing strategy, which takes into account various factors such as our R&D, manufacturing and marketing costs and expenses, competitive landscape and our market share. In addition, our pricing strategies are also affected by the regulations in China's pharmaceutical industry, in particular the VBP list and the NRDL.

Volume-Based Procurement (VBP)

In November 2018, the PRC government launched the centralized drug procurement pilot scheme for tendering a limited number of pharmaceutical products with large procurement quantities in 11 cities in China. Subsequently, it expanded the number of drugs and geographic coverage under this scheme. Under the currently applicable PRC regulations, in principle, only originator-branded drugs or reference drugs for the Consistency of Quality and Efficacy Evaluation for Generic Drugs (GQCE), along with generic drugs that have passed the GQCE, are eligible to participate in the centralized drug procurement scheme. Only in cases where there are at least three eligible participants for the selected chemical name of a drug, a centralized tender process for the VBP list will be adopted in the procurement process. For details, see "Regulatory Overview — Other Laws and Regulations In Relation To Medical Industry — Volume-based Procurement Scheme and Bidding Process."

The VBP list only applies to drugs selected in the centralized drug procurement catalog (集採目錄). Typically, a bidding process is conducted for each category of drugs, and only the successful bidder in the process will be chosen for inclusion in the centralized drug procurement catalog. As advised by our PRC Legal Advisors, the manufacturers have the option to abstain from participating in the bidding process if they are unwilling to sell their drugs through the centralized drug procurement scheme.

Under the VBP regime, a drug procurement quota for each drug included in the centralized drug procurement catalog is determined each year on a per-hospital basis. In general, public hospitals are obligated to participate in the centralized drug procurement

scheme and to meet the designated quota to the best of their capabilities. Once a hospital has met its drug procurement quota, if it has additional demand, the hospital is permitted to procure drugs not selected in the centralized drug procurement catalog from manufacturers who were not included in the centralized drug procurement scheme. According to F&S, the inclusion of a particular type of drug in the centralized drug procurement scheme can have a significant impact on the competitive landscape within the same therapeutic area. This impact is observed through changes in the drug's sales volume and selling prices. Generally, the selling prices will experience a substantial reduction, whereas the total sales volume will significantly increase.

During the Track Record Period, CF017 was included in the VBP list starting in June 2021. In 2022, 2023 and 2024, revenue generated from CF017 through VBP channels amounted to RMB269.4 million, RMB441.0 million and RMB489.8 million, accounting for 80.2%, 80.5% and 85.3% of our total revenue generated from sales of CF017. Considering that CF017 was approved in May 2021, our pricing strategy took into account the potential inclusion in the VBP list prior to its approval. Generally, under the VBP list, the ex-factory price of CF017 is determined by taking into account the prices of our competitors, our manufacturing costs and the competitive landscape of our product. In addition, we are also actively exploring opportunities to sell our products through non-VBP channels, (such as major e-commerce platforms in China and Internet hospital platforms) including outpatient pharmacies, specialty clinics, and private medical institutions.

CF017 was included in the VBP list for eight provinces in 2021. The VBP list has an effective period of three years. As of the Latest Practicable Date, we have completed the inclusion of the VBP status for CF017 in Jiangsu Alliance (江蘇聯盟) for the 2025 VBP Scheme, which consists of 11 provinces. The current batch of VBP inclusion is conducted at a regional level, where several provinces form an alliance and conduct the VBP together. The effective period for the 2025 VBP Scheme in Jiangsu Alliance is three years. For details, see "— Sales and Marketing — Future Commercialization Strategy for CF017." We are also preparing for the VBP inclusion bidding for other alliances and provinces. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We face uncertainties arising from the VBP scheme in China, which could adversely affect our market share and profitability."

National Reimbursement Drug List (NRDL)

The National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》), or the National Reimbursement Drug List, or the NRDL, sets forth the payment standard for pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance funds. On December 7, 2023, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC released an updated NRDL (effective on January 1, 2024), the scope of which was expanded to cover 3,088 drugs in total. According to the Basic Medical Insurance and other regulations, the main inclusion criteria of the NRDL primarily include clinical necessity, safety and efficacy, and reasonable price. Drugs that meet the above-mentioned criteria may be included in the NRDL after approval by the NHSA. For details of the mechanism, selection criteria, evaluation and

approval procedures of the NRDL, see "Regulatory Overview — Other Laws and Regulations In Relation To Medical Industry — Medical Insurance Catalog." The inclusion of drugs into the NRDL may increase sales volume but reduce drug prices, which are negotiated on a case-by-case basis. For example, since its inclusion in the NRDL, the sales volume of CF018 significantly increased from 4.3 thousand in 2023 to 341.1 thousand in 2024 and its average selling price decreased from RMB309.73 to RMB70.04.

In December 2023, CF018 was included in the NRDL. As our product is the only one of its kind on the NRDL list, we believe this inclusion has given us a competitive edge, especially considering that allergic rhinitis patients typically need to use our product on a routine basis. Since its NRDL inclusion, the sales volume of CF018 has significantly increased. As of the Latest Practicable Date, our CF018 has penetrated over 500 hospitals and medical institutions, and recorded sales revenue of RMB23.9 million in 2024, increasing from RMB1.3 million in 2023.

SUPPLIERS AND PROCUREMENT

During the Track Record Period, our suppliers primarily consisted of (i) technical service providers to assist us in the design and development of inhalation formulation products; (ii) suppliers of raw materials and consumables for our inhalation formulation development and manufacturing and (iii) suppliers of equipment and devices for our manufacturing activities and construction service providers.

The raw materials procured for our inhalation formulation products primarily include APIs, device components and other ancillary materials used for our R&D and manufacturing activities. We select our suppliers by considering cost and their capability, quality, reputation, delivery and regulatory compliance. We have established a stable business relationship with our suppliers for raw materials, which we believe have sufficient capacity to meet our demands. During the Track Record Period, we did not experience any material disputes with our suppliers, difficulties in the procurement of raw materials or services, disruptions to our operations due to a shortage of or delay in supply of raw materials or services, or significant fluctuations in raw material and/or service prices. In particular, substantially all of our raw materials are procured in China, we believe we are not, and will no, materially impacted by the recent U.S. tariff-related policies and other geopolitical risks. For details of our procurement process, please see "— Quality Control — Procurement Quality Control."

Purchases from our five largest suppliers in each year, on a consolidated basis, were RMB43.4 million, RMB52.6 million and RMB70.5 million in 2022, 2023 and 2024, respectively, representing 41.1%, 34.3% and 44.5% of our total purchases for the corresponding years. Purchases from our largest supplier in each year, on a consolidated basis, in 2022, 2023 and 2024, were RMB13.3 million, RMB21.4 million and RMB28.5 million, respectively, representing 12.6%, 13.9% and 18.0% of our total purchases for the corresponding years. Our five largest suppliers in each year during the track record period granted us a credit term of 30 to 60 days. The following table sets forth details of our five largest suppliers for each year during the Track Record Period.

Suppliers	Background	Products/Services Purchased	Commencement of Business Relationship	Purchase Amount	% of Total Purchase	Listing Status
				RMB'000		
For the year ended December 31, 2022						
Supplier F[1]	Contract Research Organization. Headquartered in the United Kingdom.	CRO service	2021	13,315	12.6%	Not Applicable
Supplier G[2]	Material technology development. Registered in Shanghai, China.	Package material	2015	8,766	8.3%	Not Applicable
Supplier H[3]	Pharmaceutical raw materials production and sale. Registered in Hubei, China.	Raw materials	2014	8,526	8.1%	Not Applicable
Supplier A[4]	Clinical research and technical services. Registered in Beijing, China.	CRO service	2020	7,006	6.6%	Listed on the National Equities Exchange and Quotations
Supplier I[5]	Contract Research Organization. Headquartered in the United Kingdom.	CRO service	2021	5,810	5.5%	Not Applicable
Total				**43,423**	**41.1%**	
For the year ended December 31, 2023						
Supplier F[1]	Contract research Organization. Headquartered in the United Kingdom.	CRO service	2021	21,399	13.9%	Not Applicable
Supplier A[4]	Clinical research and technical services. Registered in Beijing, China.	CRO service	2020	9,678	6.3%	Listed on the National Equities Exchange and Quotations
Supplier H[3]	Pharmaceutical raw materials production and sale. Registered in Hubei, China.	Raw materials	2014	8,427	5.5%	Not Applicable
Supplier G[2]	Material technology development. Registered in Shanghai, China.	Package material	2015	6,851	4.5%	Not Applicable
Supplier J[6]	Product design and development consultancies. Headquartered in the United Kingdom.	Product design	2021	6,269	4.1%	Not Applicable
Total				**52,624**	**34.3%**	

Suppliers	Background	Products/Services Purchased	Commencement of Business Relationship	Purchase Amount	% of Total Purchase	Listing Status
				RMB'000		
For the year ended December 31, 2024						
Supplier A[4]	Clinical research and technical services. Registered in Beijing, China.	CRO service	2020	28,500	18.0%	Listed on the National Equities Exchange and Quotations
Supplier F[1]	Contract Research Organization. Headquartered in the United Kingdom.	CRO service	2021	13,663	8.6%	Not Applicable
Supplier H[3]	Pharmaceutical raw materials production and sale. Registered in Hubei, China.	Medical material	2014	11,400	7.2%	Not Applicable
Supplier J[6]	Product design and development consultancies. Headquartered in the United Kingdom.	Product design	2021	10,132	6.4%	Not Applicable
Supplier G[2]	Material technology development. Registered in Shanghai, China.	Package material	2015	6,778	4.3%	Not Applicable
Total				**70,473**	**44.5%**	

Notes:

(1) Supplier F was incorporated in Cambridge, United Kingdom. Its principal business activities involve research and experimental development on natural sciences and engineering.

(2) Supplier G was incorporated in Shanghai, China, with a registered capital of RMB10.0 million. Its principal business activities involve research and development of new materials, wholesale and retail of chemical products, and technical services related to material science and engineering.

(3) Supplier H was incorporated in Ezhou City, Hubei Province, China, with a registered capital of RMB128.3 million. Its principal business activities involve research and development of pharmaceutical excipients, as well as manufacturing and sales of pharmaceutical products.

(4) Supplier A was incorporated in Beijing, China, with a registered capital of RMB72.6 million. Its principal business activities involve providing CRO services, including clinical trial site management, statistical analysis, and medical consulting.

(5) Supplier I was incorporated in Cambridge, United Kingdom. Its principal business activities involve medical device design and development consultancy, specializing in drug delivery devices, diagnostics, and digital health solutions.

(6) Supplier J was incorporated in Warwick, United Kingdom. Its principal business activities involve product design and development consultancy services, specializing in medical and scientific devices, consumer products, and industrial and commercial equipment.

To the best of our knowledge, (i) all of our five largest suppliers for each year during the Track Record Period are independent third parties, and (ii) none of our directors, their respective associates or any shareholder who owned more than 5% of our issued share capital as of the Latest Practicable Date has any interest in any of our five largest suppliers for each year during the Track Record Period.

CUSTOMERS

In 2022, 2023 and 2024, our revenue was primarily derived from the sales of inhalation formulation products to our distributors. We normally require our distributors to make full payment before shipment, except that we may grant a credit term of 60 to 90 days to distributors that we consider crucial to our business.

Our revenue from our five largest customers in each year, on a consolidated basis, were RMB210.4 million, RMB386.3 million and RMB403.8 million in 2022, 2023 and 2024, respectively, representing 60.2%, 69.4% and 66.4% of our total revenue for the corresponding years. Our revenue from our largest customer, on a consolidated basis, in 2022, 2023 and 2024 were RMB99.5 million, RMB174.6 million and RMB183.8 million, respectively, representing 28.5%, 31.4% and 30.2% of our total revenue for the corresponding years. The following table sets forth details of our five largest customers in each year, on a consolidated basis, for each year during the Track Record Period.

Customers	Background	Products/Services/ License Provided	Commencement of Business Relationship	Revenue Contribution	% of Total Revenue	Listing Status
				RMB'000		
For the year ended December 31, 2022						
Customer A[1]	Produce and sale of medical devices. Registered in Shanghai, China.	Provides services for the process of medicine development.	2020	99,454	28.5%	Listed on the Hong Kong Stock Exchange
Customer C[2]	Wholesale medicine. Registered in Hubei, China.	Provides services for the process of medicine development.	2021	36,082	10.3%	Listed on the Shanghai Stock Exchange
Customer D[3]	Produce and sale of medicine. Registered in Hong Kong.	Provides services for the process of medicine development.	2021	26,938	7.7%	Listed on the Hong Kong Stock Exchange

Customers	Background	Products/Services/ License Provided	Commencement of Business Relationship	Revenue Contribution	% of Total Revenue	Listing Status
				RMB'000		
Customer F[4]	Research and development of medicine and produce medical devices. Registered in Chongqing, China.	Provides services for the process of medicine development.	2021	25,751	7.4%	Listed on the Shenzhen Stock Exchange
Customer E[5]	Research, produce and sale of medicine. Registered in Fujian, China.	Provides services for the process of medicine development.	2021	22,140	6.3%	Listed on the Shenzhen Stock Exchange
Total				**210,365**	**60.2%**	
For the year ended December 31, 2023						
Customer A[1]	Produce and sale of medical devices. Registered in Shanghai, China.	Provides services for the process of medicine development.	2020	174,609	31.4%	Listed on the Hong Kong Stock Exchange
Customer F[4]	Research and development of medicine and produce medical devices. Registered in Chongqing, China.	Provides services for the process of medicine development.	2021	60,629	10.9%	Listed on the Shenzhen Stock Exchange
Customer C[2]	Wholesale medicine. Registered in Hubei, China.	Provides services for the process of medicine development.	2021	56,368	10.1%	Listed on the Shanghai Stock Exchange
Customer G[6]	Wholesale medicine and medical devices. Registered in Zhejiang, China.	Provides services for the process of medicine development.	2021	48,677	8.7%	Not Applicable
Customer D[3]	Produce and sale of medicine. Registered in Hong Kong.	Provides services for the process of medicine development.	2021	45,971	8.3%	Listed on the Hong Kong Stock Exchange
Total				**386,254**	**69.4%**	

Customers	Background	Products/Services/ License Provided	Commencement of Business Relationship	Revenue Contribution	% of Total Revenue	Listing Status
				RMB'000		
For the year ended December 31, 2024						
Customer A[1]	Produce and sale of medical devices. Registered in Shanghai, China.	Provides services for the process of medicine development.	2020	183,763	30.2%	Listed on the Hong Kong Stock Exchange
Customer D[3]	Produce and sale of medicine. Registered in Hong Kong.	Provides services for the process of medicine development.	2021	57,167	9.4%	Listed on the Hong Kong Stock Exchange
Customer C[2]	Wholesale medicine. Registered in Hubei, China.	Provides services for the process of medicine development.	2021	54,862	9.0%	Listed on the Shanghai Stock Exchange
Customer F[4]	Research and development of medicine and produce medical devices. Registered in Chongqing, China.	Provides services for the process of medicine development.	2021	54,772	9.0%	Listed on the Shenzhen Stock Exchange
Customer E[5]	Research, produce and sale of medicine. Registered in Fujian, China.	Provides services for the process of medicine development.	2021	53,244	8.8%	Listed on the Shenzhen Stock Exchange
Total				**403,808**	**66.4%**	

Notes:

(1) Customer A was incorporated in Shanghai, China, with a registered capital of RMB3,120.7 million. Its principal business activities involve pharmaceutical distribution, retail pharmacy operations, and chemical reagents distribution.

(2) Customer C was incorporated in Wuhan, Hubei Province, China, with a registered capital of RMB5,042.5 million. Its principal business activities involve pharmaceutical distribution, supply chain services, and pharmaceutical industrial production.

(3) Customer D was incorporated in Hong Kong. Its principal business activities involve pharmaceutical manufacturing, distribution, and retail, as well as research and development of pharmaceutical and healthcare products.

(4) Customer F was incorporated in Chongqing, China, with a registered capital of RMB1,728.2 million. Its principal business activities involve pharmaceutical distribution, retail pharmacy operations, medical device distribution, and supply chain services.

(5) Customer E was incorporated in Xiamen, Fujian Province, China, with a registered capital of RMB388.5 million. Its principal business activities involve pharmaceutical distribution, retail pharmacy operations, and medical device distribution.

(6) Customer G was incorporated in Quzhou, Zhejiang Province, China, with a registered capital of RMB60.0 million. Its principal business activities involve pharmaceutical distribution, wholesale and retail of medical devices and healthcare products.

To the best of our knowledge, (i) all of our five largest customers for each year during the Track Record Period are independent third parties, and (ii) none of our directors, their respective associates or any shareholder who owned more than 5% of our issued share capital as of the Latest Practicable Date has any interest in any of our five largest customers for each year during the Track Record Period.

QUALITY CONTROL

We have implemented quality control procedures and protocols that span across the entire production lifecycle from raw material sourcing till the final products are delivered to customers. This system is established and refined in accordance with the rigorous regulations and guidelines in China, the U.S. and Europe. We pay close attention to the evolving standards and regulatory developments in these target markets and update our internal procedures, accordingly, striving for the highest international standards in patient safety and regulatory compliance.

Proprietary "2+2" Quality Control System

We have developed a proprietary "2+2" quality control system, which enables us to monitor and control the entire research and development process, as well as each stage of production. The first "2" refers to our ability to oversee both research and development activities and manufacturing processes, ensuring that our products meet the highest standards of quality and regulatory compliance. The second "2" refers to our ability to ensure that our inhalation products meet the regulatory requirements of both China and overseas market, while also satisfying the needs of our customers.

Our "2+2" quality management system has accelerated the development of our project management team and reduced our reliance on individual project managers. This system ensures that our production and research activities comply with the regulatory requirements of major countries.

Manufacturing Quality Control

Our manufacturing facilities are designed and operated to meet the highest standards of quality and compliance. We have implemented a quality control system that includes regular testing and inspection of our products during the manufacturing process. We have invested in research and development and production equipment to meet the high standards of inhalation product development and industrialization.

Our quality control procedures also include rigorous testing and inspection of our finished products to ensure they meet our quality standards and comply with regulatory requirements. We have established a quality control system that utilizes analytical techniques to evaluate the critical quality attributes of our inhalation products, including particle size and spray droplet distribution, aerodynamic characteristics, delivered dose uniformity, and spray pattern and morphology.

Additionally, we adopt a traceability system across our manufacturing process, that allows us to track and document every key stage of the production process. From raw materials to finished product storage and delivery, each step is meticulously recorded to ensure complete transparency and accountability. This traceability enables us to quickly identify and address any quality issues, ensuring the integrity and safety of our products.

Procurement Quality Control

We have established a series of management procedures to ensure the quality of the raw materials we procured. We conduct evaluations on our suppliers and supplier candidates. For each batch of the raw materials we receive, we conduct quality evaluation and inspection. In case we identify any issue, we will report to the supplier and require the supplier to implement corrective and preventive action or replace the raw materials, if necessary. If we determine the raw materials of a certain supplier cannot meet our quality standards, we will disqualify such supplier and refuse to procure any raw materials from it. We conduct due diligence on CROs to ensure their compliance with regulatory requirements for clinical trial operations. A CRO selected by us will recommend clinical trial sites and conduct on-site visits to assess compliance of the sites with applicable regulations. Only compliant clinical trial sites will be chosen.

Integrated Risk Management and Information System

We adopt a risk-based approach in our quality management system to proactively identify, assess, and mitigate potential quality risks. By integrating risk management into our quality control processes, we ensure that potential issues are addressed before they impact product quality or regulatory compliance. This approach enhances our ability to maintain high standards and safeguard patient safety.

Our quality control processes are also seamlessly integrated with information systems that facilitate real-time data collection, analysis, and reporting. These systems enable continuous monitoring of quality metrics, identification of trends, and data-driven decision-making to enhance our quality management practices. The integration of information systems ensures efficiency, accuracy, and responsiveness in our quality control operations.

By implementing these quality control measures, we ensure that our inhalation formulation products consistently meet the highest standards of quality, safety, and regulatory compliance. Our quality standards enables us to deliver reliable and effective solutions to patients, reinforcing our position as a trusted market player in the inhalation formulation industry.

After-sales Supervision

We have implemented a thorough management framework to oversee the quality and safety of our products in the post-marketing phase, including product complaints, product recalls, adverse drug reaction reporting, and monitoring. To this end, we have adopted a series of procedures, such as regular review of product complaints and collecting feedback from physicians to understand the clinical performance of our products, so that we can identify potential safety issues and take corrective actions promptly. We have staffed specialized personnel responsible for monitoring and reporting adverse drug reactions. These personnel systematically collect and meticulously record adverse reactions, regularly conduct drug safety risk assessments, and compile and submit safety update reports. This proactive approach allows us to swiftly implement necessary measures to mitigate risks and uphold the highest standards of product safety and patient care. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product complaints, product recalls, or adverse drug reaction reports.

INTELLECTUAL PROPERTY

Our intellectual property rights are critical to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patent and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, 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.

We have a global portfolio of patents and patent applications to protect our drug candidates and technologies. As of the Latest Practicable Date, we owned (i) 56 issued patents, including 45 in mainland China, three in Hong Kong, one in the United States and seven in other jurisdictions, and (ii) 57 patent applications, including 25 in China, five in the United States, nine under the Patent Cooperation Treaty (PCT) and 18 in other jurisdictions. The following table summarizes the details of the material patents and patent applications.

Scope of Patent Protection	Patent Number/ Application Number	Jurisdiction	Patent Holder/ Applicant	Estimated Expiration Year
A method for preparing a microparticle mixture of glycopyrronium bromide and indacaterol maleate active pharmaceutical ingredients (一種格隆溴銨和茚達特羅原料藥微粉混合物的製備方法)	201911216301.7	Mainland China	Our Company	December 2039
A medicament inhalation device and associated strip foil component (藥物吸入裝置及使用在其中的泡罩條)	202011368185.3	Mainland China	Our Company	N/A*
A device for filling powders, a powder filling component, and a system for measuring powders (藥粉填充裝置、藥粉填充組件及藥粉測量系統)	2024101730607	Mainland China	Our Company	N/A*
A medicinal inhalation aerosol composition and a process for its preparation (一種藥用吸入氣霧劑及其製備方法)	201910559969.5	Mainland China	Our Company	June 2039
	DE112020003052T5	Germany	Our Company	N/A*
	PCT/CN2020/094293	U.S.	Our Company	N/A*
An automated crimping device for the filling of inhalation products (一種吸入製劑填充的自動壓蓋裝置)	201910122774.4	Mainland China	Our Company	February 2039
A manufacturing line for the filling of inhalation products (一種吸入製劑灌裝生產線)	201910124912.2	Mainland China	Our Company	February 2039
A specialized secondary formulation vessel designed for the preparation of inhalation dosage forms (一種用於配製吸入製劑的二次配料罐)	201910122768.9	Mainland China	Our Company	N/A*
A bronchial intraluminal live valve stent (一種支氣管內活瓣支架)	202211684437.2	Mainland China	Our Company	December 2042
An atomizer and a method for transporting and nebulizing fluids (噴霧器及輸送和霧化流體的方法)	18/294546	U.S.	Our Company	N/A*
	EU23812835.9	EU	Our Company	N/A*

* Patent application.

The actual protection afforded by a patent varies on a claim-by-claim and jurisdiction-by-jurisdiction basis. It depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extensions or adjustments, the availability of legal remedies in a particular jurisdiction and the validity and enforceability of the patent. For details, see "Risk Factors — Risks Relating to Intellectual Property Rights" for a description of risks related to our intellectual property.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any proceedings in respect of our intellectual property rights, 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.

COMPETITION

We operate in a highly competitive industry. While we believe that our inhalation formulation candidates, technology platforms and management team provide us with significant competitive advantages, we face potential competition from many others who are working to develop inhalation formulations or other therapies targeting the same indications. These include multinational biopharmaceutical companies, specialty pharmaceutical companies, biotechnology companies, academic institutions, government agencies and research institutions. Any product candidates that we successfully develop and commercialize will compete with both existing drugs and any new drugs that may become available in the future.

We believe that the primary competitive factors in our markets include the identification of promising APIs, the design of inhalation device, efficacy and safety of drug candidates, manufacturing efficiency, and commercialization activities.

EMPLOYEES

As of December 31, 2024, we had a total of 605 full-time employees in China. The following table sets forth a breakdown of our employees by function as of December 31, 2024:

Function	Number	% of Total
R&D	171	28.3
Sales and Marketing	135	22.3
Manufacturing	129	21.3
Quality Control	85	14.0
Operation	85	14.0
Total	**605**	**100.0**

Relationship with Employees

We recruit our employees primarily through online platforms, recruiting websites, headhunter referrals and job fairs. We enter into individual employment contracts with our employees covering matters such as salaries, bonuses, employee benefits, workplace safety, confidentiality obligations, work product assignment clauses and grounds for termination. We also enter into separate confidentiality agreements, which contain non-competition clauses, with our senior management and certain key members of our R&D team and other employees who have access to trade secrets or confidential information about our business and may be considered possible, directly or indirectly, to compete with us. The remuneration package of our employees includes salary and bonus, which are generally determined by their qualifications, performance review, and seniority. We also offer share incentives and promotion opportunities to motivate our employees. We believe that we have maintained good working relationships with our employees. In 2022, we were recognized as the Best Employer in Suzhou by Suzhou Municipal Human Resources and Social Security Bureau.

As of the Latest Practicable Date, we have established our labor union. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

Training and Development

We provide our employees with a diverse array of professional development opportunities and foster a performance-driven environment. We have a talent development mechanism that nurtures employees from entry-level to expert proficiency. Every new employee undergoes systematic onboarding training tailored to their specific roles and responsibilities. During daily operations, direct supervisors provide targeted training and guidance based on the employee's performance, proficiency in handling tasks, and work results. This continuous and focused training ensures that employees are well-prepared and supported in their roles, contributing to their professional growth and the overall success of our projects. We provide both internal and external training for our technical staff, which enables us to foster a diversified, multi-level, and well-structured talent pool.

Employee Benefits

We believe we offer our employees competitive compensation packages, reflecting our stakeholder-centric ethos which we believe leads to sustainable and durable growth. As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurance, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident funds. We also adhere to legal requirements by offering maternity leave, paternity leave, and other related benefits. We ensure a safe working environment that complies with safety standards.

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business to safeguard against risks and unexpected events in China. Our insurance coverage comprises personnel-related policies such as pension, medical, work-related injury, maternity, and unemployment insurance. We have also secured property insurance to cover losses arising from natural or other disasters affecting our manufacturing facilities or other assets. For each clinical trial, we have purchased clinical trial liability insurance to ensure protection for the safety and legal rights of trial participants. Additionally, we have voluntarily purchased insurance to address safety concerns. We believe our existing insurance coverage is adequate for our present operations and in line with the industry practice in China. For details, see "Risk Factors — Risks Relating to Our Operations — We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources."

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We recognize that corporate social responsibility is an essential obligation and a vital element in promoting our long-term growth. As such, we have incorporated environmental, social, and governance ("ESG") considerations into our corporate management and operations, and we have made strides in the programs that we have enacted. We will comply with the ESG reporting requirements after [**REDACTED**] and the responsibility to publish ESG report on an annual basis in accordance with Appendix C2 to the Listing Rules. We will focus on each of the areas as specified in Appendix C2 to the Listing Rules to analyze and disclose important ESG matters, risk management and the accomplishment of performance objectives, particularly those environmental and social issues that could have a material impact on the sustainability of our operations and that are of interest to our Shareholders.

Governance on ESG Matters

We understand the environmental and social-related matters that will affect our business, strategy and financial performance, and have therefore established an ESG work group for addressing such matters and formulated corresponding working rules to supervise our corporate social responsibility and measures for sustainable development. The ESG work group is responsible for coordinating ESG initiatives, ensuring compliance with ESG disclosure requirements, managing ESG risks, and overseeing the preparation of ESG reports in collaboration with third-party consultants. ESG factors will be integrated into decision-making to enhance the long-term value and resilience of our Group.

Our ESG work group consists of four members, including one Director and three senior management members. The ESG work group serves a supportive role to our Board in implementing the agreed ESG Policy, targets and strategies; conducting materiality assessments of environmental-related, climate-related and resource utilization-related statistics and risks, and assessing how we adapt its business in light of climate change; and continuous monitoring of the implementation of measures to address our Group's ESG-related risks.

Following our [**REDACTED**], we are committed to complying with ESG reporting requirements. Our Board will hold overall responsibility for establishing, adopting, and reviewing our ESG vision, policy, and objectives. They will also periodically assess, determine, and address ESG-related risks and monitor our compliance with ESG policies after the [**REDACTED**]. We are in the process of establishing ESG policies in accordance with Appendix C2 of the Listing Rules, which would cover, among others, (i) ESG policies and performance; (ii) ESG management strategy; and (iii) ESG risk management and monitoring. We focus on areas such as economic, employee, customer, public and environmental responsibility. We also intend to establish communication channels with stakeholders so that we could review the issues material to stakeholders and monitor how our environmental, social and climate-related performance has impacted different stakeholders.

Materiality Assessment

We conduct materiality assessment with the engagement of internal stakeholders such as department heads through communications to identify potential material ESG issues that are applicable to our Group. We prioritize and assess the materiality of ESG issues by taking into consideration factors including stakeholder priorities, relevant regulatory frameworks, and the impact of such issues on our business operations, financial performance and development sustainability.

Identification and Assessment of ESG-Related Risks

We have adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. The following internal policies and programs outline our approach to risk management:

- Our Board will be responsible for (i) reviewing the risk management information, (ii) reviewing annual risk management report of the Group, and (iii) overseeing ESG work group to promulgating annual risk evaluations.

- Our ESG work group will coordinate, oversee and manage the overall risks associated with our business operations and quality control, respectively, mainly including (i) reviewing our corporate risk in light of our corporate risk tolerance, (ii) maintaining a key risk list and leading corresponding risk management activities,

and (iii) organizing revision and update of the key risk list. Our ESG work group will be responsible for carrying out the risk prevention and management activities with relevant department and conduct irregular reviews.

- The relevant departments in our Company are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. Each department is responsible for identifying and evaluating risks associated with its working scope.

The decisions on the reduction, transfer, acceptance or control of the risks are affected by various factors. We will incorporate climate-related issues, including the analysis on physical and transition risks, into its risk assessment process and risk appetite setting. We will consider the risks and opportunities in its strategic and financial planning process if such risks and opportunities are deemed to be material. After reviewing the environmental, social and climate-related risks and our performance in response to such risks each year, we may revise and alter our ESG strategies as appropriate.

As a result of the aforementioned measures, during the Track Record Period and up to the Latest Practicable Date, we complied with the relevant environmental and safety 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 impact on the operations of our business during the period. We do not expect our costs of complying with current and future environmental protection and safety laws to increase significantly going forward. However, due to potential changes in legal and regulatory requirements, we may be unable to accurately predict the costs associated with compliance with these laws and regulations.

Resource Consumption

We incorporate the concept of resource conservation into our corporate culture and the daily operation of our laboratories, offices and manufacturing facilities, monitor our resource consumption and established internal resource management systems. We actively implement energy-saving measures in our daily operation, such as timely turning off idle equipment and lighting in laboratories, manufacturing facilities and offices, and conducting regular maintenance, inspection and replacement of consuming equipment.

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 7.2 million kWh, 7.5 million kWh and 7.8 million kWh in 2022, 2023 and 2024, respectively. Our water consumption levels amounted to approximately 138.5 thousand tons, 147.2 thousand tons and 103.4 thousand tons in 2022, 2023 and 2024, respectively.

Emissions

During the Track Record Period, our operations result in air pollution, wastewater, solid waste, or other hazardous wastes. 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:

- ***Air pollution***: Our manufacturing workshops generate waste gases that comply with national emission standards. These emissions are treated through appropriate gas treatment facilities and have received environmental impact assessment (EIA) approvals. Treated emissions are directly discharged outdoors through designated exhaust ducts. For workshops producing hazardous gases, such as those handling hormones, and for dust-laden emissions, we have implemented advanced filtration systems. These systems effectively remove harmful substances and particulate matter, ensuring that all treated emissions meet or exceed national discharge standards before being released into the environment. Additionally, trace amounts of toxic and harmful gases are managed through specialized exhaust ventilation systems. These emitted gases are either diluted or undergo further treatment to ensure that their release adheres to environmental regulations. We conduct regular six-monthly monitoring and surveillance of our waste gas treatment processes to ensure ongoing compliance with discharge standards.

- ***Wastewater***: Wastewater generated from our production processes is recycled through our self-built sewage treatment plant, achieving zero discharge of production-related wastewater. Wastewater from office operations, domestic activities, and ground cleaning is pre-treated and subsequently discharged into the sewage treatment plant for further treatment and compliant discharge. Waste liquids from quality testing are managed as hazardous waste and are collected and disposed of by qualified units.

- ***Solid waste***: Recyclable materials are managed by our supply chain management department, which coordinates with professional recycling companies to ensure proper handling and disposal. Household garbage generated within our facilities is systematically collected and managed by licensed sanitation service providers, while general packaging materials are recycled through external vendors.

- ***Hazardous waste***: Collectable hazardous wastes are first registered with the Environmental Protection Bureau and managed through our independent "Jiangsu Province Solid Waste Dynamic Management System" account. We enter into annual treatment contracts with qualified hazardous waste disposal companies and regularly reports the types and quantities of hazardous wastes generated on a monthly basis. Additionally, volatile hazardous wastes are stored in light-proof, ventilated areas equipped with static elimination devices and fire extinguishers. The destruction of finished pharmaceutical products is supervised by our quality assurance team to ensure compliance with all relevant standards. All operations involving hazardous

waste require the use of appropriate personal protective equipment, including gloves, masks, and face shields, and must be conducted in the presence of trained personnel to prevent accidents.

Our greenhouse gas emissions primarily consist of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the direct greenhouse gas emissions from our own manufacturing and other facilities. Scope 2 energy indirect emissions primarily include the greenhouse gas emissions from our usage of purchased electricity. Other indirect emissions that occur outside of our operation but are related to our activities and ESG goals are categorized as Scope 3 indirect emissions. Such emissions include both upstream and downstream emissions, such as emissions by our suppliers in their production of raw materials or disposables and in product transport, emissions from business travels by our employees and emissions due to electricity used for sewage processing by the relevant government agency. While we have limited control over the activities that directly contribute to Scope 3 emissions, we firmly believe in the positive impact by fostering an environmentally conscious operational culture in our own operation. This includes opting for qualified domestic suppliers to minimize energy consumption and greenhouse gas emissions during product transport, prioritizing virtual meetings over unnecessary business trips, as well as upgrading our manufacturing facilities/methods as appropriate to reduce waste production and thereby reduce downstream emissions.

The following table sets forth the information of our emissions during the Track Record Period:

	For the year ended December 31,		
	2022	2023	2024
Wastewater (tonnes)	6,348	8,131	7,387
Solid waste (tonnes)	133	76	103
Hazardous waste (tonnes)	64	50	74
Greenhouse gas emission (tonnes CO_2 equivalent)	6,496	9,378	9,036
Scope 1 (direct emissions) (tonnes CO_2 equivalent)	28	30	30
Scope 2 (indirect emissions) (tonnes CO_2 equivalent)	6,468	9,348	9,007

Goals and Targets

With the expansion of our business and commercialization of additional product candidates in the future, we endeavor to curb the increase in our resource consumption and emissions and aim to keep them relatively stable. We will continue to adopt a wide range of environment conservation measures to limit resource consumption and emissions. With respect to resource consumption, we will (i) install energy efficient facilities for our daily office operation and manufacturing process; (ii) limiting business air travels and replacing long-journey in-person meetings with virtual conferences where possible; and (iii) cultivate a corporate culture of environmental protection through employee training and office policies, such as switching off certain equipment or setting up automatic power shutdown for certain systems and devices when not in use. With respect to waste generation and greenhouse gas emissions, we will (i) regularly monitor and assess sources of hazardous waste generation and update to more environment-friendly manufacturing processes and facilities when appropriate; and (ii) continue to work with qualified professional waste processors and enhance our on-site waste treatment capacities.

In 2025, we aim to control our (i) total amount of resource consumption (primarily electricity and water) at approximately 90% to 95% of that recorded in 2024, (ii) total amount of wastewater and solid waste generation at approximately 170% to 180% and 145% to 150% of those recorded in 2024, respectively, and (iii) greenhouse gas emission at 90% to 95% of that recorded in 2024. With efforts devoted to achieving such targets, we expect the impact of our actions on our business operations can be both financial and non-financial. Specifically, implementing ESG initiatives often requires upfront investments. Adopting renewable energy sources, improving waste management, or enhancing workplace safety may involve costs related to technology, infrastructure and training. In the long term, we expect our ESG practices and initiatives such as energy-efficient processes, waste reduction, and resource optimization can lower operational costs and support sustainable business operations.

The ESG work group will set targets at the beginning of each financial year in accordance with the disclosure requirements under Appendix 27 to the Listing Rules and any other relevant rules and regulations after [**REDACTED**]. Relevant targets will be reviewed annually to ensure that they are still suitable for our needs. When setting the targets for environment-related KPIs, we will take into account our respective consumption or emission levels during the Track Record Period, and consider our future business expansion in a comprehensive and prudent manner, with a view to crafting a balance between business growth and environmental protection and achieving sustainable development.

Climate-related Risks

The environmental and climate-related risks we are exposed to can be divided into two broad categories: physical and transition risks. We define physical risks as risks related to the physical impacts of climate change, consisting of (i) acute physical risks, such as increased severity of typhoon or floods; and (ii) chronic physical risks that are affected by long-term changes in climate patterns, such as changes in average annual rainfall or temperature. We

define transition risks as the transition from dependence on fossil fuels to a low-carbon economy, which may involve changes in policy, laws, technology markets, as well as social culture, such as possible carbon taxes, compliance disclosures, and increased use of new energy sources across businesses and households.

We have made disaster preparedness plans for the extreme events and will closely monitor our business operation to reduce the possible impacts of physical and transition risks. We incorporate environmental risk analysis into the risk assessment process and risk preference setting. If risks and opportunities are deemed material, we incorporate them into our strategic and financial planning processes and take appropriate mitigation measures. Due to the nature of our business, we are not prone to material impacts of chronic physical risks or transition risks.

Our business, operations and financial condition had not been materially affected by any climate-related events during the Track Record Period and up to the Latest Practicable Date.

Employee Health and Safety

Ensuring a secure working environment for our employees is critical to us, as we recognize that a safe and healthy workplace not only safeguards the well-being of our workforce but also underpins the long-term viability of our enterprise. We have established comprehensive and company-wide work safety protocols, complemented with regular safety training initiatives to equip our employees with the requisite awareness and technical expertise to carry out their duties in a secure and efficient manner. Our comprehensive safety protocols encompass every facet of our operations, including R&D, manufacturing, and office environments, as well as our primary operational sites, such as offices, laboratories, and manufacturing plants. Moreover, we have distinct protocols governing high-risk materials and activities, and dedicated safety management roles to oversee and enforce these measures. We conduct regular meetings and periodic inspections to ensure the consistent adherence to our safety standards. During the Track Record Period and up to the Latest Practicable Date, we did not have any major workplace accidents.

In addition to proactive preventive safety management systems, we have also established a comprehensive accident reporting system. This system includes the classification of accidents, reporting requirements, and procedures for investigation and handling. The objective of this system is to ensure that any incidents are addressed promptly and efficiently, while also serving as an educational tool to prevent the recurrence of similar accidents in the future. By systematically analyzing accidents, we aim to implement corrective actions and enhance our safety protocols, thereby fostering a culture of continuous improvement and safety awareness throughout the organization.

Integrity and Business Ethics

We are committed to creating a fair business management environment. We promote clear work ethics to employees, and strictly prohibit bribery, extortion, fraud, money laundering and other unethical behaviors, such as gambling, misappropriation of our Group's assets, provision or acceptance of gifts or other improper benefits. In the event of any fraud, it should be reported to our Group through proper channels. We have set up hotlines and e-mails responsible for receiving fraud reports and complaints with senders' names or anonymous reports from employees and external third parties, preparing written records accordingly and reporting to the management in a timely manner. Any illegal discrimination or retaliation against whistleblowers or hostile measures against employees involved in investigations are prohibited.

Workforce Welfare and Diversity

We are steadfast in our commitment to fostering an open and inclusive workplace that champions equality. We hire employees based on their merits and it is our corporate policy to offer equal opportunities to them regardless of gender, age, race, religion or any other social or personal characteristics. We established human resources management policies that systematically outline the recruitment processes, promotion procedures, dismissal/resignation processes, performance evaluation approaches, retention strategies, salary and benefits procedures, employee training, etc.

As of December 31, 2024, more than 55.7% of our total employees were females. Our employees boast a diverse range of experiences and professional backgrounds, encompassing areas such as biomedicine, biochemistry, pharmaceutical engineering, financial management, human resources, and intellectual property, among others. We adhere to a fair and transparent employee management system and strive to enhance gender and age diversity of our workforce.

Supply Chain Management

Our suppliers primarily include raw material suppliers and contract services providers. Our considerations in supply chains include technical quality, cost effectiveness, delivery efficiency and reliability. Accordingly, we define risks related to supply chains consisting of shortage of raw materials, workforce health and safety incidents, proper disposal of hazardous waste, and internal control for corruption and bribery.

To identify and cope with any potential risks, we established procurement management policies that clearly define the overall review and regular evaluation processes for suppliers, based on which we made a qualified supplier list and update the list from time to time. Additionally, we established management policies in relation to procurement of technical contract services that specifies the responsibilities for the service providers, including CROs, testing organizations, clinical trial centers, etc. The policies also outline due diligence procedures, selection criteria, approval process, performance management and payment settlement. Furthermore, we tend to opt for scaled suppliers with good reputation as we believe

such partners are subject to stricter compliance standards and capable of offering more environmentally-friendly products and services. We have also implemented strict anti-corruption and anti-bribery policies to prevent collusion and corruption.

AWARDS AND RECOGNITION

Throughout our corporate history, we have received a number of major awards and accolades. The table sets forth a summary of the major awards and recognition we received as of the Latest Practicable Date:

Year(s) of Grant	Award/Recognition	Issuing Authority
2019	High Growth Innovative Enterprise	Suzhou Municipal People's Government
2020	High-Quality Development and Innovation Talent Award	Suzhou Xiangcheng District People's Government
2021	Potential Unicorn Enterprise in Su'nan National Independent Innovation Demonstration Zone	Jiangsu Productivity Promotion Center
2022	Jiangsu Provincial Specialized and Innovative SME	Jiangsu Provincial Department of Industry and Information Technology
2022	Jiangsu Provincial Quality Credit A-Level Enterprise	Suzhou Development and Reform Commission, Suzhou Market Supervision Administration
2023	Unicorn Cultivated Enterprise in Suzhou	Suzhou Municipal People's Government
2023	Jiangsu Provincial Engineering Technology Research Center	Jiangsu Provincial Department of Science and Technology
2023	Jiangsu Provincial Postdoctoral Innovation Practice Base	Jiangsu Provincial Department of Human Resources and Social Security
2023	High-Tech Enterprise	Office of the Leading Group for the Identification and Administration of National High-Tech Enterprises
2024	Jiangsu Province Potential Unicorn Enterprise	Jiangsu Productivity Promotion Center
2024	Jiangsu Provincial Intelligent Manufacturing Workshop	Jiangsu Provincial Department of Industry and Information Technology

PROPERTIES

Owned Properties

Land Use Rights

As of the Latest Practicable Date, we obtained three land use right certificates for properties with an aggregate GFA of 78,638.10 sq.m. The details of these owned properties are summarized as follows.

Parcel	Address	Function	GFA
			(sq.m.)
1	No. 16 Hucundang Road, Caohu Industrial Park, Xiangcheng Economic Development Zone, Suzhou	Industrial	16,022.4
2	No. 35-113 Changjiang South Road, Wuxi	Educational and Scientific	9,956.7
3	South to Hucundang Road, East to the Yongchang Road, Xiangcheng Economic Development Zone, Suzhou	Industrial	52,659

Real Estate Ownership Certificates

As of the Latest Practicable Date, we obtained 14 real estate ownership certificates for properties with a total GFA of approximately 34,734.38 sq.m. in the PRC. These parcels of properties are mainly located in Suzhou and Guangzhou, and are primarily used as our production facilities, administrative offices and R&D buildings. Among all of our owned properties, none of land use rights with buildings on them were pledged to secure our bank borrowings.

Leased Properties

As of the Latest Practicable Date, we leased 8 properties from third parties with an aggregate GFA of approximately 7,753.60 sq.m. in China, which were primarily used as production facilities and administrative offices. Our leases generally have a term ranging from 0.5 to 3 years. We will consider renewal of the leases upon their expiry. In addition, we also leased one property in Hong Kong with a GFA of approximately 1,778 square feet as our office.

Pursuant to the applicable PRC laws and regulations, both lessors and lessees must register lease agreements with the relevant authorities and obtain property leasing filing certificates. As of the Latest Practicable Date, all of the lessors of our leased properties had provided their title certificates or sublease authorization documents of the relevant properties, three of our eight lease agreements between us and third parties had not been registered with the relevant local authorities. As advised by our PRC Legal Advisor, failure to register an

executed lease agreement will not affect its validity. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC governmental authorities require us to rectify it and we fail to do so within the prescribed time. See "Risk Factors — Risks Relating to Our Operations — Our leased properties may be subject to non-compliances or challenges that could potentially affect our future use of them."

LICENSES, PERMITS AND APPROVALS

We are subject to regular inspections, examinations and audits and are required to maintain or renew the necessary permits, licenses and certifications for our business. During the Track Record Period and as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations. The table below sets forth the relevant details of the material licenses, approvals and permits we hold for our operations.

License/Permit	Holder	Issuing Authority	Issue Date	Expiration Date
CF022	Our Company	NMPA	May 11, 2021	May 10, 2026
CF036	Our Company	NMPA	October 26, 2021	October 25, 2026
CF018	Our Company	NMPA	November 1, 2022	October 31, 2027
CF038	Our Company	NMPA	September 5, 2023	September 4, 2028
GW006	Our Company	FDA	May 17, 2024	N/A
Pharmaceutical Production License . . .	Our Company	Jiangsu Provincial Medical Products Administration	October 24, 2024	September 16, 2025

LEGAL PROCEEDINGS AND COMPLIANCE

We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. During the Track Record Period and up to the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against the Company or any of our directors which could have a material and adverse effect on our financial condition or results of operations. We believe that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed below, we had complied in all material respects with the applicable laws and regulations relating to our business operations. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. For the

potential impact of legal or administrative proceedings on us, see "Risk Factors — Risks Relating to Our Operations — We may be involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business."

Engagement of Third Parties to Make Contributions to the Social Insurance Fund and Housing Provident Fund

During the Track Record Period, we engaged third parties to make contributions to the social insurance fund and housing provident fund in China. Such non-compliance was primarily due to certain of our employees preferring us to make contributions to the social insurance fund and housing provident fund at their place of residence, rather than at the location of their contracting employer. According to our PRC Legal Advisers, as we did not make such contributions directly, but through a third party, there is a risk of being ordered by the social insurance administrative department in charge and the housing provident fund management center to make rectification within a time limit (including re-registering for payment, repayment and collection of late fees for social security funds). If it is not rectified within the specific period, we will be facing a fine by the social insurance administrative department for one to three times the amount of social security funds due, and fined by the housing provident fund management center for more than RMB10,000 and less than RMB50,000 or compulsory enforced by the people's court under housing provident fund management center's application.

Given: (1) we have obtained compliance certificates from the competent government authority in China, confirming that our Company and our subsidiaries have not been subject to administrative penalties for violations of social insurance or housing provident fund laws, regulations, or rules in China; (2) certain notices have been issued by relevant Chinese regulatory departments, which states that self-organized investigations of arrears from previous years are strictly prohibited; (3) based on the respective interviews conducted with Xiangcheng Branch of Suzhou Housing Provident Fund Management Center and Suzhou Human Resources and Social Security Bureau in October 2024, each being the competent authority for housing provident fund and social insurance matters, these authorities confirmed that they typically does not proactively investigate companies when no employee complaints are received and they will first issue rectification notice if they receive any employee complaints and they will not impose fines as long as the rectification is completed within a specified period of time. In addition, as of the Latest Practicable Date, we have not received notices from competent authorities requiring supplementary payment of social insurance or housing provident funds, or orders for rectification within a specified period. Our Single Largest Group of Shareholders also provided undertaking to reimburse us in full for the amount of The actual controller of the Issuer undertakes: If the Company and its PRC subsidiaries are ordered to make supplementary payments, repay, or are penalized for making social insurance or housing provident fund contributions through third parties prior to this offering and listing, he/she will bear the full amount of all social insurance, housing provident fund, and other fees required to be supplemented by the Company as determined by relevant government departments, as well as related losses caused to the Company due to the aforementioned matters.

Based on the above, our PRC Legal Advisers are of the view that the risk of us being penalized by competent authorities for having third parties make social insurance and housing provident fund contributions during the Track Record Period is remote, and the aforementioned circumstances will not have a material adverse impact on the [**REDACTED**].

DATA PRIVACY AND INFORMATION SECURITY MANAGEMENT

Data privacy and information security is one of our top priorities. In accordance with applicable PRC laws on cybersecurity and data security and personal information protection, we are involved in collecting, storing, and using data during business operations, including:

(1) In our clinical trials, we collect, store and use the personal information of subjects and investigators, including the subjects' basic information, clinical diagnosis data, medical records and other personal information and sensitive personal information (primarily consisting of the de-identified data necessary for the clinical trial execution, such as acute asthma exacerbation data, variable airflow limitation examination data, past/present medical history, allergy history, smoking habits, alcohol consumption history and bronchial asthma treatment history), and the investigators' names, organization or enterprise names and their relevant qualification documents. With the authorized consent of the subjects obtained, the trial sites provide us with the subjects' personal information through the CRO, we only use these data for the purposes of clinical trials. To fulfill the legal obligations required by the GCP, we collect the investigators' personal information and only use these data for the purposes of clinical trials.

(2) In our adverse drug reactions, we collect, store and use the personal information of patients and reporters, including the patients' basic information, conditions on use of drugs, occurrence of adverse reactions, diagnosis and treatment, and the reporters' basic information. To fulfill the legal obligations required by the "Administrative Measures for the Reporting and Monitoring of Adverse Drug Reactions" and other relevant regulations, we collect these data from patients, reporters, drug distributors and medical institutions, and only use these data for the purpose of adverse drug reaction monitoring.

(3) In our e-commerce transactions, we collect, store and use the consumers' nicknames, the recipients' name, addresses, and phone numbers. In order to conclude and fulfill the contracts where consumers are one of the parties, we collect these data from e-commerce platforms and only use these data for the purpose of completing product transactions.

(4) On our official website, we collect, store and use the users' names, phone numbers, email addresses, enterprise names and cities. With the authorized consent of the users obtained, we collect these data and only use these data for the purposes of responding to users' service needs.

(5) We conduct two types of pre-clinical studies: one is that we are commissioned by clients to conduct pre-clinical studies on their new drugs, and the other is that we commission CROs to conduct pre-clinical studies in our own new drug development activities. Pre-clinical studies do not involve any human research, so we do not collect any personal information during the process of entrusted preclinical research and commissioning CRO to conduct pre-clinical studies. In pre-clinical studies, we only collect research data obtained through experiments, which will not exceed the scope of animal pharmacokinetics research, toxicology research, formulation research, analysis method development/transfer/validation, production batch records, product release data, and stability data.

(6) We also conduct other R&D programs, such as feasibility studies, academic research, etc., and collect research data in these programs, such as animal pharmacokinetics research related data, formulation research related data, analysis method development related data, etc. These R&D programs do not involve any human research, and we do not collect any personal information during the process of carrying out these R&D programs.

When developing product candidates in the United States, Europe, etc., we plan to recruit and use overseas patients for developing product candidates in these jurisdictions going forward. We are also involved in transferring data and personal information to overseas third parties, including:

(1) transferring the data concerning product quality standards, initial research and analysis methodologies, and production procedures for the purposes of transnational entrusted testing and production;

(2) transferring the data concerning requirement specifications and device testing for the purposes of transnational entrusted device design; and

(3) transferring the names, email addresses, and telephone numbers of relevant contacts to overseas partners for the purposes of executing and fulfilling cooperation agreements with the overseas partners, while contacts involved are fewer than ten.

Our PRC Data Compliance Counsel is of the view that as of the Latest Practicable Date, we are exempted from the obligation to declare for the security assessment of data export, conclude standard contracts for the cross-border transfer of personal information, or obtain personal information protection certification, and we have fulfilled the compliance obligations regarding cross-border data transfer as prescribed in the Personal Information Protection Law of PRC, the Data Protection Law of PRC and the Provisions on Facilitating and Regulating Cross-border Data Flows of PRC.

Such exemption was primarily because

(i) pursuant to Article 3 of the Regulations to Promote and Regulate Cross-Border Data Transfer (促進和規範數據跨境流動規定) ("**Regulation**"), data collected and generated during the cross-border manufacturing activities that do not contain personal information or critical information is exempted from the obligation to declare. The data we transferred for the purposes of transnational entrusted testing and production and transnational entrusted device design do not contain any personal information and were not classified as "critical information" by the relevant government authorities. As such, the transferring of these data are qualified for exemption to declaration.

(ii) pursuant to Article 5 of the Regulation, data processors other than critical information infrastructure operators are exempt from declaration for outbound data transfers, entering into a standard contract for personal information export, or obtaining personal information protection certification, provided that the cumulative volume of non-sensitive personal information transferred overseas since January 1 of the same year does not exceed 100,000 individuals. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice from regulatory bodies designating us as a critical information infrastructure operator. Further, we only transferred personal information with respect to less than 10 individuals overseas, which does not contain any sensitive personal information. As such, the transferring of these data are qualified for exemption to declaration.

To ensure data privacy and information security, we formulate comprehensive internal control measures and policies, including:

(1) We develop the Data Security Management System, which clarifies the security management requirements for the entire data life cycle and the working mechanism for data security protection. Besides, we also establish a Data Security Management Committee to oversee and ensure the implementation of data security management requirements.

(2) We set different retention periods for different data and formulate and implement data deletion policies, in order to ensure that data is stored only for the minimum necessary period. For example, we store the data collected from clinical trials for 5 years after the project database is locked, and entrust the CRO to store the data until five years after the product is launched. These data will be deleted upon expiration.

(3) We formulate and implement the Data Security and Education & Training System, and conduct data privacy and security training regularly to enhance employees' awareness and capabilities regarding data security. We also specify the assessment and evaluation rules for employees' data security work in our internal control policies. Besides, we deploy a comprehensive encryption system on our intranet to

maintain data security. Any operation by employees on the intranet and the files involved in these operations will be automatically encrypted and recorded to prevent employees from misusing or leaking data.

(4) We establish a strict access control mechanism. By assigning accounts with different system operation permissions to employees in different positions, we ensure that data can only be accessed and operated by the minimum number of employees.

Our PRC Data Compliance Counsel is of the view that during the Track Record Period and up to the Latest Practicable Date, after the completion of rectification including the refinement of our cybersecurity, data secrutiny and personal information protection policy; establishment and designation of the internal management organization and responsible personnel for cybersecurity, data secrutiny and personal information protection policy; and update the agreement and notification letter in relation to personal information processing in various scenarios, such as clinical trial, adverse effect monitoring and official website FAQs. We are currently in compliance with the currently effective and applicable PRC laws on cybersecurity and data security and personal information protection. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any cybersecurity incident or data breach, or been subject to any administrative penaltites or legal disputes arising from violations of applicable data privacy and security laws and regulations in China.

RISK MANAGEMENT AND INTERNAL CONTROL

We are committed to developing and maintaining risk management and internal control systems comprised of policies and procedures tailored to our business operations. Our dedication lies in the continual enhancement of these systems to ensure their effectiveness.

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global inhalation formulation markets, our ability to develop, manufacture and commercialize our inhalation formulation candidates, and our ability to compete with other biopharmaceutical companies. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See "Risk Factors" for more details.

We have adopted a set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Risks identified by management will be analyzed on the basis of likelihood and impact and will be properly followed up and mitigated and rectified by our Group and reported to our directors. Our directors supervise the implementation of our risk management policies.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted or will continue to adopt, among other things, the following risk management measures:

- formulating and implementing a risk management process covering different aspects of our business operation which includes risk identification, risk assessment, risk management strategy development, risk response development, risk monitoring and early warning, risk reporting, and risk management process improvement;

- formulating a compliance manual which stipulates the compliance obligations of different departments and their members;

- establishing an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members, namely Ms. WANG Lijuan (王麗娟) (chairperson of the committee), Dr. JIN Jian (金堅) and Mr. IP Wang Hoi (葉耘開); and

- adopting various policies to ensure compliance with the Listing Rules, including but not limited to policies with respect to risk management, connected transactions and information disclosure.

We consider that our directors and members of our senior management members possess the necessary knowledge and experience to provide outstanding corporate governance oversight in connection with risk management and internal control.

Internal Controls

Our management team is responsible for establishing our internal controls system and the audit committee of our Board is responsible for reviewing its effectiveness. We have engaged an independent internal control consultant to perform the internal review procedures in connection with the internal control of our Company and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, human resources and payroll management, general controls of IT system, taxation management, contract management, and other procedures of our operations. The internal control consultant performed the internal review procedures in October 2024. As of the Latest Practicable Date, there were no material outstanding issues relating to our Group's internal controls.

We are committed to establishing and maintaining risk management and internal control systems. We have adopted and implemented a risk management policy encompassing risks that may arise in research and development, procurement management, production management, and sales management. Our risk management and internal control systems also cover the general functional operations such as human resources, financial management, asset management, warehousing and logistics management, information system management and

corporate governance as well as decision-making processes. Meanwhile, we are committed to supervising and evaluating the effectiveness of risk management and internal control systems to ensure that the system is rectified and effectively controlled as our business develops.

Anti-bribery

We maintain a strict code of conduct and anti-corruption policies among our employees. We also require our distributors to bear integrity obligations pursuant to the distribution agreements with such distributors. We strictly prohibit bribery or other improper payments in our business operations. This prohibition applies to all business activities, anywhere globally, whether involving government officials or healthcare professionals. Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. We keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Requests for false invoices or payment of unusual, excessive or inadequately described expenses should be rejected and promptly reported. Misleading, incomplete or false entries in our books and records are not acceptable. We will also ensure that future sales team personnel comply with applicable promotion and advertising requirements, including restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

Non-Competition

We have instituted rigorous protocols to safeguard the proprietary information that arises during the development and production of our projects, which encompasses product formulations, preparation techniques, methodologies, and research strategies. The employment agreements between us and our senior management and key technical personnel include confidentiality clauses and non-compete agreements. We assign code names to our core projects in order to obscure their true nature and purpose. In addition, researchers are strictly prohibited from removing electronic or physical records of experimental results and data from the laboratory premises. Through these meticulous steps, we diligently protect our intellectual property.

IMPACT OF THE COVID-19 PANDEMIC

During the COVID-19 pandemic, our clinical activities, such as subject enrollment and clinical trials, were temporarily delayed, and some of our commercialization activities, such as business development, were conducted through online channels. Save as disclosed above, we did not experience any material disruptions during the outbreak of the COVID-19 pandemic for our clinical, commercialization and manufacturing activities and we had not experienced material disruptions to our supply chain either. Our Directors confirm that there has been no material adverse impact from the COVID-19 outbreak during the Track Record Period and up to the Latest Practicable Date.

OVERVIEW

As of the Latest Practicable Date, Dr. LIANG (through HK Pyramid, Suzhou Pyramid, Suzhou Minmei, Suzhou Yuanchen, Suzhou Dachen, Suzhou Yuansheng and Suzhou Wolun) was entitled to exercise the voting rights attached to approximately 20.7% of the total issued share capital of our Company, and Dr. LI LI BOVET (through HK Gentiana and Suzhou Meizhongrui) was entitled to exercise the voting rights attached to approximately 6.5% of the total issued share capital of our Company. Pursuant to the Acting-in-Concert Agreement, Dr. LIANG and Dr. LI LI BOVET have confirmed that they have been acting in concert with each other since April 2013 and will continue to act in concert until the third anniversary from the [**REDACTED**], provided the [**REDACTED**] is completed prior to March 31, 2028, subject to further extension. HK Pyramid is wholly owned by Dr. LIANG and serves as the general partner of Suzhou Pyramid. Suzhou Minmei, Suzhou Yuanchen, Suzhou Dachen, Suzhou Yuansheng and Suzhou Wolun are employee incentive platforms of our Company, managed by their respective general partner, each being Suzhou Pyramid. HK Gentiana is wholly owned by Dr. LI LI BOVET and also acts as the general partner of Suzhou Meizhongrui. Dr. Jean-Marc BOVET, a limited parter of Suzhou Minmei, is the spouse of Dr. LI LI BOVET. Consequently, Dr. LIANG and Dr. LI LI BOVET, together with their controlled entities (HK Pyramid, Suzhou Pyramid, Suzhou Minmei, Suzhou Yuanchen, Suzhou Dachen, Suzhou Yuansheng, Suzhou Wolun, HK Gentiana and Suzhou Meizhongrui) and Dr. Jean-Marc BOVET, constitute our Single Largest Group of Shareholders, collectively entitled to exercise the voting rights attached to approximately 27.2% of our total issued share capital as of the Latest Practicable Date.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), our Single Largest Group of Shareholders will be entitled to exercise the voting rights attached to approximately [**REDACTED**]% of our total issued share capital. For details of shareholding of our Single Largest Group of Shareholders, see "Substantial Shareholders" in this document.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Single Largest Group of Shareholders after the [**REDACTED**].

Management Independence

Our business is managed and conducted by the Board and senior management. Our Board consists of four executive Directors, three non-executive Directors and four independent non-executive Directors. For more information, see "Directors, Supervisors and Senior Management." Notwithstanding that Dr. LIANG, the chairperson of the Board, an executive Director and the chief executive officer of our Company, and Dr. LI LI BOVET, an executive Director and the chief scientific officer of our Company, are members of our Single Largest

Group of Shareholders, our Directors believe that the Board and senior management of our Company are able to operate our business independently of our Single Largest Group of Shareholders for the following reasons:

(i) our Directors are aware of their fiduciary duties as a director, which require, among other things, that they act for the benefits and in the interests of our Company and all our Shareholders as a whole and do not allow any conflict between their duties as a Director and their personal interests;

(ii) our daily management and operations are carried out by our executive Directors and senior management team. As of the Latest Practicable Date, except for Dr. LIANG and Dr. LI LI BOVET, none of them held any management position in our Single Largest Group of Shareholders or their respective close associates. They also have substantial experience in the industry in which our Company is engaged and will therefore be able to make impartial and sound business decisions that are in the best interests of our Group;

(iii) our Board acts collectively by majority vote in accordance with our Articles of Association and applicable laws and regulations, and no single Director is able to make any decisions unless authorized by the Board;

(iv) our Board has a balanced composition of executive, non-executive and independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Our independent non-executive Directors account for more than one-third of the Board, and do not and will not take up any position with our Single Largest Group of Shareholders. All of our four independent non-executive Directors are independent of our Single Largest Group of Shareholders and have extensive experience in their respective areas of expertise. For details, see "Directors, Supervisors and Senior Management." All independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules, and certain matters of our Company must always be referred to the independent non-executive Directors for review, ensuring the decisions of the Board are made only after the due consideration of independent and impartial opinions;

(v) in the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and a Director or their respective close associate, the interested Director(s) is required to declare the nature of such interests before voting at the relevant Board meetings of our Company in respect of such transactions; and

(vi) upon [**REDACTED**], we will adopt a series of corporate governance measures to manage conflicts of interests, if any, between our Group and our Single Largest Group of Shareholders which would support our independent management. For details, see "— Corporate Governance Measures" in this section.

Based on the above, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that our Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole. Our Board together with our senior management team, therefore, are able to perform the managerial role in our Group independently.

Operational Independence

We are in possession of all production and operating facilities and technology relating to our Group's business and have obtained relevant requisite qualifications and approvals for conducting all our business. Currently, we engage in our Group's business independently, with the independent right to make operational decisions and implement such decisions.

We have independent access to customers and suppliers and, therefore, are not dependent on our Single Largest Group of Shareholders for any significant amount of our revenue, research and development, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from our Single Largest Group of Shareholders. We have an established and complete organizational structure comprising various separate departments, each charged with specific responsibilities, such as staffing, administration, finance, internal audit, research and development, sales and marketing, or company secretarial functions. These departments have been in operation and are expected to continue to operate separately and independently from our Single Largest Group of Shareholders and their close associates. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Based on the above, our Directors believe that we are able to operate independently from our Single Largest Group of Shareholders and their respective close associates.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independently from our Single Largest Group of Shareholders and their respective close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with our Single Largest Group of Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of our Single Largest Group of Shareholders and their respective close associates.

As of the Latest Practicable Date, there was no outstanding loan, advance, balance of non-trade nature due to or from, or pledge or guarantee provided by our Single Largest Group of Shareholders or their respective close associates. We do not expect to rely on our Single

Largest Group of Shareholders and their close associates for financing after the [**REDACTED**] as we expect that our working capital will be funded by cash flows generated from operating activities, equity financing, bank loans as well as the [**REDACTED**] from the [**REDACTED**].

Based on the above, our Directors believe that we do not place undue reliance on our Single Largest Group of Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Upon [**REDACTED**], save as disclosed in "Directors, Supervisors and Senior Management — Corporate Governance Code," we will comply with all other provisions of the Corporate Governance Code set forth in Appendix C1 to the Listing Rules, which sets out the principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in the protection of 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 Single Largest Group of Shareholders:

(i) where a Board meeting is held for the matters in which any Directors has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(ii) where a Shareholders' meeting is to be held for considering proposed transactions in which any member of our Single Largest Group of Shareholders or any of their associates has a material interest, the relevant member in our Single Largest Group of Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with any member of our Single Largest Group of Shareholders or any of their associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent Shareholders' approval requirements (if applicable) under the Listing Rules;

(iv) our Board will consist of a balanced composition of executive and non-executive Directors, including 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. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing experienced and professional advice to protect the interests of our minority Shareholders;

(v) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Single Largest Group of Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(vi) our Single Largest Group of Shareholders will provide our independent non-executive Directors with all relevant financial, operational and market and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(vii) our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(viii) we have established our audit committee, remuneration and appraisal committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules;

(ix) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(x) we have appointed Soochow Securities International Capital Limited as our Compliance Advisor, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interests between our Group and our Single Largest Group of Shareholders to protect minority Shareholders' rights after the [**REDACTED**].

OVERVIEW

Before the [REDACTED]

As of the Latest Practicable Date, the issued share capital of our Company was RMB370,780,387, comprising 370,780,387 Unlisted Shares with a nominal value of RMB1.00 each.

Upon the Completion of the [REDACTED]

Immediately following the completion of the [**REDACTED**] and the Conversion of Unlisted Shares into H Shares, the share capital of our Company will be as follows:

Assuming the* [REDACTED] *is not exercised:

Description of Shares	Number of Shares	% of the total issued share capital of our Company
Unlisted Shares in issue	109,754,801	[**REDACTED**]%
H Shares to be converted from Unlisted Shares[(1)]	261,025,586	[**REDACTED**]%
H Shares to be [**REDACTED**] pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100.0%**

Assuming the* [REDACTED] *is exercised in full:

Description of Shares	Number of Shares	% of the total issued share capital of our Company
Unlisted Shares in issue	109,754,801	[**REDACTED**]%
H Shares to be converted from Unlisted Shares[(1)]	261,025,586	[**REDACTED**]%
H Shares to be [**REDACTED**] pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100.0%**

Note:

(1) Following the completion of the [**REDACTED**], 261,025,586 Unlisted Shares held by our existing Shareholders will be converted into H Shares on a one-for-one basis and listed on the Stock Exchange for trading. Filing of such conversion of Unlisted Shares into H Shares has been completed with the CSRC on [●]. For details of the identities of the Shareholders whose Shares will be converted into H Shares upon the [**REDACTED**], see "History, Development and Corporate Structure — Our Capitalization" in this document.

SHARES OF OUR COMPANY

Upon completion of the [**REDACTED**], depending on whether Shares are [**REDACTED**] on the Stock Exchange, our Company will consist of Unlisted Shares and H Shares. Unlisted Shares and H Shares are both ordinary Shares in the share capital of our Company and are regarded as the same class of Shares under the Articles of Association. However, the H Shares generally may not be [**REDACTED**] for by, or [**REDACTED**] between, legal or natural persons of the PRC, 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 the H Shares pursuant to relevant PRC laws and regulations or upon approval by any competent authorities.

Unlisted Shares and the H Shares carry the same rights and will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be declared in RMB and paid by our Company in Hong Kong dollars or RMB, whereas all dividends for Unlisted Shares will be paid in RMB. Other than cash, dividends could also be paid in the form of Shares or a combination of cash and Shares.

CONVERSION OF UNLISTED SHARES INTO H SHARES

According to the regulations issued by the securities regulatory authorities of the State Council and the Articles of Association, the Unlisted Shares may be converted into H Shares, and such converted Shares may be [**REDACTED**] and [**REDACTED**] on an overseas stock exchange provided that the conversion, [**REDACTED**] and [**REDACTED**] of such converted Shares have been filed with the CSRC. Additionally, such conversion, [**REDACTED**] and [**REDACTED**] shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Pursuant to the filing notice of the CSRC dated [●], 261,025,586 Unlisted Shares will be converted to H Shares on a one-for-one basis and be [**REDACTED**] for [**REDACTED**] on the Stock Exchange upon completion of the [**REDACTED**]. To the extent any Unlisted Shares are not converted into H Shares, all unlisted Shares will comprise such number of Unlisted Shares held by our Shareholders not converted into H Shares.

[**REDACTED**] Review and Filing with the CSRC

In accordance with the Trial Administrative Measures and related guidelines announced by the CSRC, H-share listed companies shall file with the CSRC for the conversion of unlisted shares into H shares for listing and circulation on the Hong Kong Stock Exchange. An unlisted domestic joint stock company may file for "full circulation" when applying for an overseas listing.

Our Company has applied for a "full circulation" filing when applying for an overseas [**REDACTED**] filing with the CSRC on November 30, 2024, and submitted the filing reports, authorization documents of the shareholders of Unlisted Shares for which an H-share "Full Circulation" filing was applied, undertaking about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

Our Company [has received] the filing notice from the CSRC dated [●] in relation to the filing of the overseas [**REDACTED**] and "Full Circulation," pursuant to which:

(i) our Company [filed] with the CSRC to [**REDACTED**] no more than [**REDACTED**] H Shares with a nominal value of RMB1.0 each, which are all ordinary shares, and upon this issuance our Company may be [**REDACTED**] on the Main Board of the Stock Exchange;

(ii) our Company [filed] with the CSRC to convert a total of 261,025,586 Unlisted Shares (with a nominal value of RMB1.0 each) held by certain Shareholders of our Company (the "**Full Circulation Participating Shareholders**"), into H Shares, and the relevant Shares may be [**REDACTED**] on the Stock Exchange upon completion of the conversion.

Where the [**REDACTED**] cannot be completed within one year upon receipt of the filing notice, and our Company will continue to conduct overseas [**REDACTED**] and [**REDACTED**] after that, it shall update the filing materials, and the CSRC will update the public filing information accordingly.

[REDACTED] Approval by the Stock Exchange

We have applied to the [**REDACTED**] for the granting of [**REDACTED**] of, and permission to [**REDACTED**], our H Shares to be issued pursuant to the [**REDACTED**] and the H Shares to be converted from 261,025,586 Unlisted 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 Unlisted Shares into H Shares after receiving the approval of the Stock Exchange: (i) giving instructions to our [**REDACTED**] regarding relevant share certificates of the converted H Shares; and (ii) enabling the converted H Shares to be accepted as eligible securities by [**REDACTED**] for deposit, clearance and settlement in the [**REDACTED**]. Registration on our H Share register will be conditional on (a) our [**REDACTED**] lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates; and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange in compliance with the Listing Rules, the [**REDACTED**] and the [**REDACTED**] in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be [**REDACTED**] as H Shares. The Full Circulation Participating Shareholders may only [**REDACTED**] the Shares upon completion of following domestic procedures. No approval by the general meeting of Shareholders is required for the [**REDACTED**] and [**REDACTED**] of such converted Shares on an overseas stock

exchange. Any application for [**REDACTED**] of the converted Shares on the Stock Exchange after our [**REDACTED**] is subject to prior notification by way of announcement to inform the Shareholders and the public of any proposed conversion.

Domestic Procedures

The Full Circulation Participating Shareholders may only [**REDACTED**] the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and [**REDACTED**]:

(i) We will appoint China Securities Depository and Clearing Corporation Limited ("**CSDC**") as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at [**REDACTED**] in its own name. CSDC, as the nominal holder of the Full Circulation Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-border settlement and corporate actions, etc. relating to the converted H Shares for the Full Circulation Participating Shareholders;

(ii) We will engage a domestic securities company (the "**Domestic Securities Company**") to provide services such as sending orders for trading of the converted H Shares and receipt of transaction returns. The Domestic Securities Company will engage a Hong Kong securities company (the "**Hong Kong Securities Company**") for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorized by Shenzhen Stock Exchange;

(iii) The Shenzhen Stock Exchange shall authorize Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and transaction returns in respect of the converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

(iv) The Full Circulation Participating Shareholders shall complete the necessary overseas shareholding registration or filing procedure in accordance with applicable laws and regulations; and

(v) The Full Circulation Participating Shareholders shall submit trading orders of the converted H Shares through the Domestic Securities Company. Trading orders of the Full Circulation Participating Shareholders for the relevant Shares will be submitted to the Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Full Circulation Participating Shareholders, will all be conducted separately.

As a result of the conversion, the shareholding of the relevant Full Circulation Participating Shareholders in our Unlisted Shares shall be reduced by the number of the Unlisted Shares converted and the number of H Shares shall be increased by the number of converted H Shares.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing. Accordingly, Shares issued by our Company prior to the [**REDACTED**] shall be subject to this statutory restriction and shall not be transferred for a period of one year from the [**REDACTED**].

Pursuant to the PRC Company Law, 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 held in the Company cannot be transferred within one year from the date on which the shares are [**REDACTED**] and [**REDACTED**], nor within half a year after they leave their positions in the Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and members of senior management, a summary of which is set out in "Summary of Articles of Association" in Appendix VI to this document.

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which our general Shareholders' meeting required, see "Summary of Principal Laws and Regulatory Provisions" in Appendix V and "Summary of Articles of Association" in Appendix VI to this document.

GENERAL MANDATES TO ISSUE H SHARES

Subject to the completion of the [**REDACTED**], the Board has been granted with a general mandate to issue our H Shares. For details, see "Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 4. Shareholders' Resolutions" in Appendix VII to this document. Any reference to an allotment, issue, grant, offer or disposal of Shares therein shall include the sale or transfer of treasury Shares in the capital of our Company (including to satisfy any obligation upon the conversion or exercise of any convertible securities, options, warrants or similar rights to subscribe for Shares) to the extent permitted by, and subject to the provisions of the Listing Rules and applicable laws and regulations.

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the Conversion of Unlisted Shares into H Shares (assuming the [**REDACTED**] is not exercised), the following persons will have interests and/or short positions (as applicable) in the Shares or underlying Shares of our Company, which would be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company:

				Shares interested in immediately following the completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised)		
Name	**Nature of Interest[1]**	**Description of Shares**	**Number of Share interested in as of the Latest Practicable Date**	**Number**	**% of shareholding in the Unlisted Shares/H Shares (as applicable)[2]**	**% of shareholding in the total issued share capital of our Company[2]**
Dr. LIANG[3][4][6][8][9][10]	Interested in controlled corporation	Unlisted Shares	77,086,509	30,834,604	28.1%	[REDACTED]%
		H Shares	–	46,251,905	[REDACTED]%	[REDACTED]%
	Interests held jointly with another person	Unlisted Shares	23,964,547	9,585,819	8.7%	[REDACTED]%
		H Shares	–	14,378,728	[REDACTED]%	[REDACTED]%
HK Pyramid[6][8][9][10]	Interested in controlled corporation	Unlisted Shares	77,086,509	30,834,604	28.1%	[REDACTED]%
		H Shares	–	46,251,905	[REDACTED]%	[REDACTED]%
Suzhou Pyramid[6][8][9][10]	Beneficial owner	Unlisted Shares	26,129,045	10,451,618	9.5%	[REDACTED]%
		H Shares	–	15,677,427	[REDACTED]%	[REDACTED]%
	Interested in controlled corporation	Unlisted Shares	50,957,464	20,382,986	18.6%	[REDACTED]%
		H Shares	–	30,574,478	[REDACTED]%	[REDACTED]%
Suzhou Minmei[8]	Beneficial owner	Unlisted Shares	21,063,828	8,425,531	7.7%	[REDACTED]%
		H Shares	–	12,638,297	[REDACTED]%	[REDACTED]%
Suzhou Yuanchen[9]	Beneficial owner	Unlisted Shares	19,329,782	7,731,913	7.0%	[REDACTED]%
		H Shares	–	11,597,869	[REDACTED]%	[REDACTED]%
Dr. LI LI BOVET[3][5][7][8][9]	Interested in controlled corporation; interest of spouse	Unlisted Shares	64,358,157	25,743,263	23.5%	[REDACTED]%
		H Shares	–	38,614,894	[REDACTED]%	[REDACTED]%
	Interests held jointly with another person	Unlisted Shares	36,692,899	14,677,160	13.4%	[REDACTED]%

Name	Nature of Interest[1]	Description of Shares	Number of Share interested in as of the Latest Practicable Date	Shares interested in immediately following the completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised)		
				Number	% of shareholding in the Unlisted Shares/H Shares (as applicable)[2]	% of shareholding in the total issued share capital of our Company[2]
		H Shares	–	22,015,739	[REDACTED]%	[REDACTED]%
HK Gentiana[7][8][9]	Interested in controlled corporation	Unlisted Shares	64,358,157	25,743,263	23.5%	[REDACTED]%
		H Shares	–	38,614,894	[REDACTED]%	[REDACTED]%
Suzhou Meizhongrui[7][8][9]	Interested in controlled corporation	Unlisted Shares	40,393,610	16,157,444	14.7%	[REDACTED]%
		H Shares	–	24,236,166	[REDACTED]%	[REDACTED]%
	Beneficial owner	Unlisted Shares	23,964,547	9,585,819	8.7%	[REDACTED]%
		H Shares	–	14,378,728	[REDACTED]%	[REDACTED]%
FIIF[11]	Beneficial owner	Unlisted Shares	26,058,641	–	–	–
		H Shares	–	26,058,641	[REDACTED]%	[REDACTED]%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 109,754,801 Unlisted Shares and [**REDACTED**] H Shares in issue immediately upon completion of the [**REDACTED**] and the Conversion of Unlisted Shares into H Shares (assuming the [**REDACTED**] is not exercised).

(3) Pursuant to Acting-in-Concert Agreement, Dr. LIANG and Dr. LI LI BOVET are parties acting in concert at the Board meetings and the general meetings of our Company until and unless both of them cease to hold managerial positions in our Company. As such, under the SFO, each of Dr. LIANG and Dr. LI LI BOVET is deemed to be interested in the Shares the other is interested in.

(4) Dr. LIANG is deemed to be interested in 101,051,056 Shares, consisting of (i) 26,129,045 Shares held by Suzhou Pyramid; (ii) 21,063,828 Shares held by Suzhou Minmei; (iii) 19,329,782 Shares held by Suzhou Yuanchen; (iv) 10,563,854 Shares held by Suzhou Wolun; and (v) 23,964,547 Shares held by Suzhou Meizhongrui in which Dr. LIANG is deemed to be interested as a result of being a party acting-in-concert with Dr. LI LI BOVET.

(5) Dr. LI LI BOVET is deemed to be interested in 101,051,056 Shares, consisting of (i) 23,964,547 Shares held by Suzhou Meizhongrui; (ii) 21,063,828 Shares held by Suzhou Minmei; (iii) 19,329,782 Shares held by Suzhou Yuanchen; and (iv) 36,692,899 Shares (consisting of 26,129,045 Shares held by Suzhou Pyramid, and 10,563,854 Shares held by Suzhou Wolun) in which Dr. LI LI BOVET is deemed to be interested as a result of being a party acting-in-concert with Dr. LIANG.

(6) Suzhou Pyramid, a limited partnership established in the PRC, is managed by its general partner, HK Pyramid. Incorporated in Hong Kong, HK Pyramid is a limited liability company wholly owned by Dr. LIANG. As such, under the SFO, each of Dr. LIANG and HK Pyramid is deemed to be interested in Shares held by Suzhou Pyramid.

(7) Suzhou Meizhongrui, a limited partnership established in the PRC, is managed by its general partner, HK Gentiana. Incorporated in Hong Kong, HK Gentiana is a limited liability company wholly owned by Dr. LI LI BOVET. As such, under the SFO, each of Dr. LI LI BOVET and HK Gentiana is deemed to be interested in Shares held by Suzhou Meizhongrui.

(8) Suzhou Minmei, a limited partnership established in the PRC, is managed by its general partner, Suzhou Pyramid, which is in turn controlled by its general partner, HK Pyramid, a company wholly owned by Dr. LIANG. Furthermore, Suzhou Meizhongrui owns approximately 36.0% partnership interest in Suzhou Minmei as a limited partner. Dr. LI LI BOVET controls Suzhou Meizhongrui through its general partner, HK Gentiana, a company wholly owned by Dr. LI LI BOVET. The spouse of Dr. LI LI BOVET, Dr. Jean-Marc BOVET, is also a limited partner of Suzhou Minmei, owning 0.6% partnership interest. Consequently, Dr. LI LI BOVET is deemed to be interested in 36.6% partnership interest in Suzhou Minmei by virtue of SFO. As such, under the SFO, each of Dr. LIANG, HK Pyramid, Suzhou Pyramid, Dr. LI LI BOVET, HK Gentiana and Suzhou Meizhongrui is deemed to be interested in Shares held by Suzhou Minmei.

(9) Suzhou Yuanchen, a limited partnership established in the PRC, is managed by its general partner, Suzhou Pyramid, which is in turn controlled by its general partner, HK Pyramid, a company wholly owned by Dr. LIANG. Furthermore, Suzhou Meizhongrui owned approximately 38.5% in Suzhou Yuanchen. Dr. LI LI BOVET controls Suzhou Meizhongrui through its general partner, HK Gentiana, a company wholly owned by Dr. LI LI BOVET. As such, under the SFO, each of Dr. LIANG, HK Pyramid, Suzhou Pyramid, Dr. LI LI BOVET, HK Gentiana and Suzhou Meizhongrui is deemed to be interested in Shares held by Suzhou Yuanchen.

(10) Suzhou Wolun, a limited partnership established in the PRC, is managed by its general partner, Suzhou Pyramid, which is in turn controlled by Dr. LIANG through its general partner, HK Pyramid, a company wholly owned by Dr. LIANG. As such, under the SFO, each of Dr. LIANG, HK Pyramid and Suzhou Pyramid is deemed to be interested in Shares held by Suzhou Wolun.

(11) FIIF, a limited partnership established in the PRC, is managed by its general manager and private fund manager, SDICFUND Management Co., Ltd. (國投創新投資管理有限公司) ("**SDICFUND**"). SDICFUND is 40% owned by China State Investment High-Tech Industrial Investment Co., Ltd. (中國國投高新產業投資有限公司), which in turn is controlled by State Development and Investment Corporation (國家開發投資集團有限公司), a wholly state-owned enterprise. As such, under the SFO, each of State Development and Investment Corporation, China State Investment High-Tech Industrial Investment Co., Ltd. and SDICFUND is deemed to be interested in Shares held by FIIF.

Save as otherwise disclosed herein, our Directors are not aware of any persons who will, immediately following the [**REDACTED**] and the Conversion of our Unlisted Shares into H Shares (assuming the [**REDACTED**] is not exercised), have any interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company.

BOARD OF DIRECTORS

Our Board consists of eleven Directors, comprising four executive Directors, three non-executive Directors and four independent non-executive Directors. The following table sets forth the key information about our Directors as of the Latest Practicable Date.

Name	Age	Positions	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director
Dr. LIANG Bill Wenqing (梁文青).	59	Chairperson of the Board, executive Director and chief executive officer	Responsible for leading the strategic planning, business direction and overall management of our Group	January 24, 2013	January 24, 2013
Dr. LI LI BOVET (李勵)	66	Executive Director and chief scientific officer	Responsible for leading the scientific vision and R&D strategy and driving the innovation of our Group	January 24, 2013	January 24, 2013
Dr. LI Qi (李旗)	66	Executive Director, chief operating officer and president of pharmaceutical R&D	Responsible for leading the execution of R&D and overseeing the drug registration and production management	August 14, 2017	September 17, 2020
Ms. ZHU Yuyu (朱玉玉).	44	Executive Director, deputy general manager and secretary of the Board	Responsible for overseeing the investor relations management, financing and investment management and corporate governance	January 4, 2015	September 17, 2020
Mr. CHEN Penghui (陳鵬輝).	53	Non-executive Director	Responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group	June 30, 2020	June 30, 2020

Name	Age	Positions	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director
Mr. CAI Lei (蔡磊) (former name: CAI Jiange (蔡劍閣)) .	39	Non-executive Director	Responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group	December 19, 2019	December 19, 2019
Dr. YI Hua (易華)	50	Non-executive Director	Responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group	December 3, 2021	December 3, 2021
Dr. JIN Jian (金堅)	65	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	September 17, 2020	September 17, 2020
Ms. WANG Lijuan (王麗娟).	63	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	September 17, 2020	September 17, 2020
Mr. WEI Shirong (魏士榮).	60	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	September 17, 2020	September 17, 2020
Mr. IP Wang Hoi (葉耘開).	49	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	December 3, 2021[(1)]	September 30, 2024

Note:

(1) From December 2021 to June 2022, Mr. IP Wang Hoi served as an independent Director of our Company.

Executive Directors

Dr. LIANG Bill Wenqing (梁文青), aged 59, is our co-founder, the chairperson of the Board, an executive Director and the chief executive officer of our Company. He was appointed as a Director in January 2013 and redesignated as an executive Director in September 2024. In addition to these roles, Dr. LIANG holds directorships across substantially all subsidiaries within our Group. He is mainly responsible for leading the strategic planning, business direction and overall management of our Group.

Dr. LIANG had over two decades of experience in the pharmaceutical and related investment industries. Prior to co-founding our Group, leveraging his scientific expertise and financial experience, Dr. LIANG set up China Healthcare Group in the United States in 2002 to carry out healthcare consultation in Chinese market. To devote more time to spearheading our Company's R&D innovation and strategic governance, Dr. LIANG ceased to serve as China Healthcare Group's president in 2010 and chose to close down China Healthcare Group in 2016, ensuring focus on driving technological breakthroughs and operational excellence critical to our sustained leadership. China Healthcare Group was dissolved in October 2016. As of the Latest Practicable Date, Dr. LIANG didn't hold any equity interests in China Healthcare Group.

Dr. LIANG obtained a Ph.D. in molecular and cellular biology from the University of Massachusetts in the United States in 1996. After obtaining his doctorate degree, Dr. LIANG pursued his professional career as a post-doctoral fellow at Harvard Medical School from 1996 to 1999. Dr. LIANG also obtained an MBA from University of Southern California in the United States in May 2001.

Dr. LI LI BOVET (李勵), aged 66, is our co-founder, an executive Director and the chief scientific officer of our Company. She was appointed as a Director in January 2013 and redesignated as an executive Director in September 2024. In addition to these roles, Dr. LI LI BOVET holds directorship in one subsidiary, namely Jiangsu CF, within our Group. She is mainly responsible for leading the scientific vision and R&D strategy and driving the innovation of our Group.

Dr. LI LI BOVET is an expert in respiratory drug research, with nearly three decades of experience in pharmaceutical company management and drug development. Prior to co-founding our Group, Dr. LI LI BOVET's career began in the inhalation formulation research development at GlaxoSmithKline, a global biopharmaceutical leader listed on the New York Stock Exchange (ticker symbol: GSK) and the London Stock Exchange (ticker symbol: GSK), where she served as a research investigator and later a senior scientist. Dr. LI LI BOVET then joined and served at Schering-Plough Corporation, from December 1996 to July 1998. Dr. LI LI BOVET also worked at Cirrus Pharmaceuticals, Inc. ("**Cirrus**"), a U.S.-based drug development company, where she served as the executive vice president.

Dr. LI LI BOVET obtained a Ph.D. in chemistry from University of Michigan in the United States in August 1989. Dr. LI LI BOVET also obtained an MBA from Kenan-Flagler Business School, University of North Carolina at Chapel Hill in the United States in December 2001.

Dr. LI Qi (李旗), aged 66, is an executive Director, the chief operating officer of our Company and the president of pharmaceutical R&D of our Group. Dr. LI was appointed as a Director in September 2020 and redesignated as an executive Director in September 2024. He is mainly responsible for leading the execution of R&D and overseeing the drug registration and production management.

Dr. LI has dedicated over 25 years to the pharmaceutical industry, specializing in the complex field of inhalation formulations. Dr. LI's career began in June 1999 for Miami Division of Respiratory R&D at IVAX Pharmaceuticals, Inc., a pharmaceutical company acquired by Teva Pharmaceutical Industries Ltd. ("**TEVA**") (a global pharmaceutical leader listed on the New York Stock Exchange (ticker symbol: TEVA) and the Tel Aviv Stock Exchange (ticker symbol: TEVA)) in January 2006. Since August 2007, he worked at TEVA Pharmaceuticals, Inc., a U.S. affiliate of TEVA, with his last role as a principal scientist and lead formulator until June 2017. During his tenure at IVAX and TEVA, Dr. LI led the team in developing and commercializing new inhaled drug products, including six Dry Powder Inhalation (DPI) products (ARMONAIR™ RESPICUCK® for fluticasone propionate and AIRDUO™ RESPICLICK® for fluticasone propionate and salmeterol). Dr. LI joined our Company in August 2017 as the chief operating officer and further appointed as the president of pharmaceutical R&D of our Group in September 2020.

Dr. LI obtained a Ph.D. in chemistry from the University of Miami in the United States in December 1993. During the period from February 1995 to June 1999, Dr. LI alternated between positions as a post-doctoral associate or non-enrolled fellow at Miller School of Medicine, the University of Miami.

Ms. ZHU Yuyu (朱玉玉), aged 44, is an executive Director, a deputy general manager and the secretary of the Board of our Company. She was appointed as a Director in September 2020 and redesigned as an executive Director in September 2024. In addition to these roles, Ms. ZHU holds directorships in three subsidiaries, namely Jiangsu CF, Suzhou CF Health and CF Hong Kong, and supervisorship in three subsidiaries, namely Wuxi CF, Suzhou Wusheng and Guangzhou CF, within our Group. Ms. ZHU is mainly responsible for overseeing the investor relations management, financing and investment management and corporate governance.

Ms. ZHU brings over 15 years of professional experience in corporate governance, talent management and financing and investment management. She spent her early career focusing on supplier development and procurement management. Ms. ZHU worked at Standard Chartered Bank (China) Limited Suzhou Branch (渣打銀行(中國)有限公司蘇州分行) from September 2007 to March 2008. After that, Ms. ZHU joined Suzhou Curative Medical Technology Co., Ltd. (蘇州凱迪泰醫學科技有限公司), where she remained as human resource manager. Ms. ZHU joined our Group in January 2015, initially serving as the human resources manager. She then advanced to the role of chief executive officer assistant and the secretary of the Board in May 2017, before being further promoted to the position of deputy general manager in September 2020.

Ms. ZHU obtained a bachelor's degree in electrical engineering and automation from Soochow University (蘇州大學) in the PRC in June 2003. Ms. ZHU obtained the Certificate of Human Resources Professional (Level II) (二級人力資源管理師) from the Occupational Skill Appraisal Center of the Ministry of Human Resources and Social Security of PRC (中華人民共和國人力資源和社會保障部職業技能鑒定中心) in December 2011, and the Securities Practice Qualification (證券從業資格) from the Securities Association of PRC in October 2018. She is also qualified as a board secretary, certified by the Shanghai Stock Exchange in June 2020.

Non-executive Directors

Mr. CHEN Penghui (陳鵬輝), aged 53, is a non-executive Director. Mr. CHEN was appointed as a Director in June 2020 and was redesignated as a non-executive Director in September 2024. He is mainly responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Mr. CHEN brings extensive experience in healthcare and related investment industry. Prior to his career as a professional investor, he served as the president, chief operating officer and chief financial officer at ShangPharma Co., Ltd., a company once listed on the New York Stock Exchange and delisted in April 2013 after it was taken private by ShangPharma Parent Limited. From December 2011 to May 2014, he served as a managing director at Shanghai CEL Management Advisory Services Limited (上海光控管理諮詢服務有限公司). After that, he was a partner at Sequoia Capital Consulting (Beijing) Co., Ltd. (紅杉資本顧問諮詢(北京)有限公司) from May 2014 to May 2017. He has been a partner at Biotrack Capital (博遠資本) which he co-founded in June 2017.

Mr. Chen has been or once served as directors of several listed companies, including as (i) a director at Jiangsu Yuyue Medical Equipment & Supply Co., Ltd. (江蘇魚躍醫療設備股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002223), from April 2015 to November 2017; (ii) a director at BGI Genomics Co., Ltd. (深圳華大基因股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300676), since June 2015; (iii) an independent non-executive director at VCREDIT Holdings Limited (維信金科控股有限公司), a company listed on the Stock Exchange (stock code: 2003), since June 2018; (iv) an independent non-executive director at Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), a company listed on the Stock Exchange (stock code: 6078), from September 2019 to May 2022; and (v) an independent director at Chengdu Bright Eye Hospital Group Co., Ltd. (成都普瑞眼科醫院集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301239), since October 2022.

Mr. CHEN obtained a bachelor's degree in chemistry from Nanjing University (南京大學) in the PRC in July 1993 and a master's degree in science from Tulane University in the United States in May 1998. Mr. CHEN also obtained an MBA from Kellogg School of Management, Northwestern University in the United States in June 2003.

Mr. CAI Lei (蔡磊) (former name: CAI Jiange (蔡劍閣)), aged 39, is a non-executive Director. Mr. CAI was appointed as a Director in December 2019 and was redesignated as a non-executive Director in September 2024. He is mainly responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Mr. CAI brings deep understanding of financial markets, investment strategies and risk management. Since October 2012, Mr. CAI has been working at Shanghai New Alliance Capital Management Co., Ltd. (上海聯新資本管理有限公司) with his current position as a managing director. Mr. CAI has also been serving as a director at Thousand Oaks Biologics Inc. (澳斯康生物(南通)股份有限公司), a CDMO company focusing on macromolecules, since December 2018.

Mr. CAI obtained a bachelor's degree and a master's degree in economics from University of Bath in the United Kingdom in June 2008 and November 2009, respectively.

Dr. YI Hua (易華), aged 50, is a non-executive Director. Dr. YI was appointed as a Director in December 2021 and was redesignated as a non-executive Director in September 2024. He is mainly responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Dr. YI brings a wealth of experience in both scientific research and investment management. From October 2014 to April 2017, Dr. YI transitioned into the financial sector, joining CoStone Asset Management Co., Ltd. (基石資產管理股份有限公司) as an investment manager. In April 2017, Dr. YI's track record led to his appointment as an executive director at SDIC Fund Management (Shanghai) Co., Ltd. (國投創新投資管理(上海)有限公司). Since March 2020, Dr. YI has been a non-executive director of TransThera Sciences (Nanjing), Inc. (藥捷安康(南京)科技股份有限公司), primarily responsible for its corporate strategy and governance. In addition, Dr. YI was a director at HMT (Xiamen) New Technical Materials Co., Ltd. (華懋(廈門)新材料科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603306), from November 2020 to November 2023.

Dr. YI obtained a Ph.D. in analytical chemistry from East China Normal University (華東師範大學) in the PRC in July 2005. He further obtained a post-doctoral degree from ENS Cachan (currently known as Ecole normale superieure Paris-Saclay) in France in September 2009.

Independent Non-executive Directors

Dr. JIN Jian (金堅), aged 65, is an independent non-executive Director. Dr. JIN was appointed as an independent Director in September 2020 and was redesignated as an independent non-executive Director in September 2024. He is responsible for providing independent advice and judgment to our Board.

Dr. JIN is an expert in the fields of pharmaceutics and pharmaceutical engineering. From August 1998 to July 1999, Dr. JIN continued his research at the National Key Laboratory of Nuclear Medicine in the PRC (中國核醫學國家重點實驗室) as a researcher. Since November 2001, Dr. JIN joined the School of Pharmaceutical Science (currently known as School of Life Sciences and Health Engineering) in Jiangnan University (江南大學) as a professor. Beyond to this, Dr. JIN has also been serving as an independent director at Novoprotein Scientific Inc. (蘇州近岸蛋白質科技股份有限公司), a company focused on protein technology listed on the Shanghai Stock Exchange (stock code: 688137), since April 2021.

Dr. JIN obtained a Ph.D. in internal medicine from Suzhou Medical College (currently known as Soochow University (蘇州大學)) in the PRC in July 1996. He was recognized as one of the Young and Middle-aged Experts with Outstanding Contributions in Jiangsu Province (江蘇省有突出貢獻的中青年專家) by Jiangsu Provincial People's Government in 1998.

Ms. WANG Lijuan (王麗娟), aged 63, is an independent non-executive Director. Ms. WANG was appointed as an independent Director in September 2020 and was redesignated as an independent non-executive Director in September 2024. She is responsible for providing independent advice and judgment to our Board.

Ms. WANG brings a wealth of business management academic expertise to her role. Starting as a lecturer in 1992 in Jiangnan University (江南大學), she was advanced to the head of enterprise management teaching and research section in the department of economics and management in 1995, head of department of business management in 2000 and deputy dean of business school in 2005 before she was the professor responsible for the MBA program. She has also been serving as the independent director at Haiying Enterprise Group Co., Ltd. (海鷹企業集團有限責任公司), a manufacturer of underwater acoustic equipment, since September 2021.

Ms. WANG obtained an MBA from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 1998.

Mr. WEI Shirong (魏士榮), aged 60, is an independent non-executive Director. Mr. WEI was appointed as an independent Director in September 2020 and was redesignated as an independent non-executive Director in September 2024. He is responsible for providing independent advice and judgment to our Board.

Mr. WEI brings over two decades of experience in legal expertise and profession. Mr. WEI's legal career expanded through his roles in several law firms, and is currently a senior partner at Beijing Dacheng (Jinan) Law Offices, LLP (北京大成(濟南)律師事務所). Mr. WEI has also been serving as an independent director at Shandong Hi-speed Road & Bridge Group Co., Ltd. (山東高速路橋集團股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000498), since June 2020.

Mr. WEI obtained a bachelor's degree in English from Shandong Normal University (山東師範大學) in the PRC in December 1995 and a diploma in law from Shandong Provincial Institute of Political Science and Law Management Cadres (山東省政法管理幹部學院) (currently known as Shangdong University of Political Science and Law (山東政法學院)) in the PRC in July 1996. Mr. WEI obtained a diploma in curriculum and instruction from Beijing Normal University (北京師範大學) in the PRC in February 2003 and a diploma in law from China University of Political Science and Law (中國政法大學) in the PRC in June 2008. Mr. WEI has been a certified PRC lawyer recognized by the Ministry of Justice of the PRC (中華人民共和國司法部) since September 2000. He obtained an International Building and Engineering Contracts Accredited Professional from the Society Construction of Laws (China) (建設法律協會(中國)) and Joint Construction Management (英國聯合建設管理) in June 2013. He has also been acknowledged as an Investment Project Analyst by the China General Chamber of Commerce (中國商業聯合會) in September 2013. Additionally, Mr. WEI obtained the certified Dealmaker qualification by the China Mergers & Acquisitions Association (中國併購公會) in February 2015.

Mr. IP Wang Hoi (葉耘開), aged 49, has been appointed as an independent non-executive Director on September 30, 2024. He is responsible for providing independent advice and judgment to our Board.

Mr. IP has more than 21 years of experience in accounting, investment banking and corporate finance. Mr. IP joined Arthur Andersen in September 1998 and was transferred to PricewaterhouseCoopers from July 2002. Mr. IP left PricewaterhouseCoopers in April 2004 with his last position being a manager. From April 2004 to August 2006, Mr. IP served as a associate at Piper Jaffray Asia Limited. Mr. IP was with Credit Suisse (Hong Kong) Limited from March 2008 to February 2011, being a senior associate, and with J.P. Morgan Securities (Asia Pacific) Limited from March 2011 to March 2016 with his last position being an executive director in the global investment banking department. Mr. IP was employed by Tuspark Financial Holdings (HK) Limited from March 2017 to February 2020. His last position was the chief executive officer of the corporate finance department — TUS Corporate Finance Limited. Mr. IP has been the responsible officer of Wings Securities Limited since February 2020 and an independent non-executive director at Vanov Holdings Company Limited (環龍控股有限公司), a company listed on the Stock Exchange (stock code: 02260), since December 2021. From December 2021 to June 2022, Mr. IP served as an independent Director of our Company ordinarily resident in Hong Kong to satisfy the requirements under Rule 19A.18 of the Listing Rules for the purposes of our previous H-share listing plan. In such case, after the previous H-share listing plan shelved, Mr. IP resigned as our independent Director. For details of our previous H-share listing plan, please see the section headed "History, Development and Corporate Structure — Previous Listing Plans and Reasons for the [**REDACTED**]."

Mr. IP obtained a bachelor's degree in business administration (accounting and finance) from the University of Hong Kong in December 1998 and an MBA from the University of Chicago Graduate School of Business in the United States in March 2008. Mr. IP has been a member of Hong Kong Institute of Certified Public Accountants since September 2001 and a fellow of CPA Australia since November 2020. Mr. IP was designated as a Chartered Financial Analyst by the CFA Institute in September 2005.

SUPERVISORY COMMITTEE

Our Supervisory Committee comprises three members, one of whom is the employee representative supervisor, namely Ms. KUAI Jingjing. The following table sets forth the key information about our Supervisors as of the Latest Practicable Date.

Name	Age	Positions	Roles and responsibilities	Date of joining our Group	Date of appointment as a Supervisor
Ms. ZHANG Jingjing (張晶晶).	36	Chairperson of the Supervisory Committee and Supervisor	Responsible for supervising the performance of duties by Directors and senior management	May 4, 2017	November 27, 2021
Ms. CHENG Xiangfeng (程祥鳳).	37	Supervisor	Responsible for supervising the performance of duties by Directors and senior management	June 5, 2012	December 3, 2021
Ms. KUAI Jingjing (蒯靜靜).	41	Supervisor	Responsible for supervising the performance of duties by Directors and senior management	September 1, 2010	March 16, 2016

Ms. ZHANG Jingjing (張晶晶), aged 36, has been appointed as a Supervisor since November 2021 and the chairperson of the Supervisory Committee since December 2021. In addition to the role, Ms. ZHANG holds supervisorship in one subsidiary, namely Suzhou CF Health, within our Group. She is mainly responsible for supervising the performance of duties by Directors and senior management.

Ms. ZHANG began her career in July 2010 as a human resources specialist at Siyuan Electric Co., Ltd. (思源電氣股份有限公司) until September 2014. She was then with Shanghai Zhengda Investment Consulting Co., Ltd. (上海證大投資諮詢有限公司), a then subsidiary of Shanghai Zhengda Financial Information Service Co., Ltd. (上海證大金融信息服務有限公司), from September 2014 to April 2017. Ms. ZHANG joined our Group in May 2017 and has been serving as the human resources manager since then. Effective from November 2024, she also holds the positions of assistant general manager and deputy general manager of the marketing center at our Company.

Ms. ZHANG obtained a bachelor's degree in biomedical engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in the PRC in June 2010, and a master's degree in public administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2016.

Ms. CHENG Xiangfeng (程祥鳳), aged 37, has been appointed as a Supervisor since December 2021. In addition to the role, Ms. CHENG holds supervisorship in one subsidiary, namely Suzhou CF Pharmaceutical, within our Group. She is mainly responsible for supervising the performance of duties by Directors and senior management.

Ms. CHENG's career in the pharmaceutical industry began in July 2009 at Jiangsu Hansoh Pharmaceutical Group Co., Ltd. (江蘇豪森藥業集團有限公司), a subsidiary of Hansoh Pharmaceutical Group Company Limited, a company listed on the Stock Exchange (stock code: 3692), until April 2012. Ms. CHENG joined our Group in June 2012 and has been serving as a commercial manager since then.

Ms. CHENG obtained a bachelor's degree in English from China Pharmaceutical University (中國藥科大學) in the PRC in July 2009.

Ms. KUAI Jingjing (蒯靜靜), aged 41, has been appointed as a supervisor since March 2016. In addition to the role, Ms. KUAI holds supervisorship in two subsidiaries, namely Jiangsu CF and Suzhou CF Instruments, within our Group. She is mainly responsible for supervising the performance of duties by Directors and senior management.

Ms. KUAI's career began at Jiangsu Xisheng Group Co., Ltd. (江蘇習勝集團有限公司), where she served as office manager from June 2007 to August 2010. Ms. KUAI joined our Group in September 2010 and has been serving as administration manager since then.

Ms. KUAI obtained a bachelor's degree in ecology from Yangzhou University (揚州大學) in the PRC in June 2007.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth the key information about our senior management as of the Latest Practicable Date.

Name	Age	Positions	Roles and responsibilities	Date of joining our Group	Date of appointment as a senior management
Dr. LIANG Bill Wenqing (梁文青).	59	Chairperson of the Board, executive Director and chief executive officer	Responsible for leading the strategic planning, business direction and overall management of our Group	January 24, 2013	January 24, 2013
Dr. LI LI BOVET (李勵)	66	Executive Director and chief scientific officer	Responsible for leading the scientific vision and R&D strategy and driving the innovation of our Group	January 24, 2013	January 24, 2013
Dr. LI Qi (李旗)	66	Executive Director, chief operating officer and president of pharmaceutical R&D	Responsible for leading the execution of R&D and overseeing the drug registration and production management	August 14, 2017	September 17, 2020
Ms. ZHU Yuyu (朱玉玉).	44	Executive Director, deputy general manager and secretary of the Board	Responsible for overseeing the investor relations management, financing and investment management and corporate governance	January 4, 2015	May 2, 2017
Mr. WEI Wei (魏巍)	46	Head of finance	Responsible for financial and accounting management	November 15, 2021	June 8, 2022

Dr. LIANG Bill Wenqing (梁文青), aged 59, is our co-founder, the chairperson of the Board, an executive Director and the chief executive officer of our Company. For his biography, see "— Board of Directors — Executive Directors" in this section.

Dr. LI LI BOVET (李勵), aged 66, is our co-founder, an executive Director and the chief scientific officer of our Company. For her biography, see "— Board of Directors — Executive Directors" in this section.

Dr. LI Qi (李旗), aged 66, is an executive Director, the chief operating officer of our Company and the president of pharmaceutical R&D of our Group. For his biography, see "— Board of Directors — Executive Directors" in this section.

Ms. ZHU Yuyu (朱玉玉), aged 44, is an executive Director, a deputy general manager and the secretary of the Board of our Company. For her biography, see "— Board of Directors — Executive Directors" in this section.

Mr. WEI Wei (魏巍), aged 46, is the head of finance of our Company. He is mainly responsible for financial and accounting management.

Mr. WEI brings over two decades of experience in finance and accounting within the pharmaceutical industry. Prior to joining our Group, Mr. WEI was with Harbin Pharmaceutical Group Co., Ltd. (哈藥集團股份有限公司) ("**Harbin Pharma**"), a company listed on the Shanghai Stock Exchange (stock code: 600664), from July 2002 to October 2021. During his tenure, Mr. WEI successively served several financial roles at the branches and subsidiaries of Harbin Pharma, including (i) as a financial accountant at Harbin Pharmaceutical Group Co., Ltd. General Pharm. Factory (哈藥集團製藥總廠) ("**Harbin General Factory**"); (ii) as the deputy finance director at Harbin General Factory; (iii) as the finance director at Harbin Pharmaceutical Group Trading Co., Ltd. (哈藥集團營銷有限公司); and (iv) as the finance director at Harbin Pharma. Mr. WEI joined our Group in November 2021 as the finance director before he was promoted to head of finance in June 2022.

Mr. WEI obtained a bachelor's degree in accounting from Heilongjiang Bayi Agricultural University (黑龍江八一農墾大學) in the PRC in July 2002 and graduated from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in August 2015. Mr. WEI has been recognized by the China Association of Chief Financial Officers (中國會計師總協會) as a senior management accountant since February 2021.

Except for otherwise stipulated in this document, the different usage of terms of "independent director" and "independent non-executive director" in this section arises from the distinctive requirement under the Listing Rules for the board composition of Hong Kong listed companies. Specifically, we employed the term "independent director" to reflect prior experience as an independent director of the companies listed on other stock exchanges such as the Shanghai Stock Exchange and the Shenzhen Stock Exchange, while using the term "independent non-executive director" for the previous role as an independent non-executive director of companies listed on the Stock Exchange.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed in this section and the section headed "Statutory and General Information" in Appendix VII to this document, each of our Directors and Supervisors has confirmed that:

(i) they have obtained legal advice referred to under Rule 3.09D of the Listing Rules on October 17, 2024, and understood their obligations as a director or supervisor of a [**REDACTED**];

(ii) they do not have any existing or proposed service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the relevant member of our Company within one year without payment of compensation (other than statutory compensation); and

(iii) they do not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed in this section and the section headed "Statutory and General Information" in Appendix VII to this document, to the best of the knowledge, information and belief of our Directors, Supervisors and senior management after having made all reasonable enquiries:

(i) they have not been a director of any other publicly listed company during the three years prior to and as of the Latest Practicable Date;

(ii) other than being a Director, Supervisors or senior management of our Company (as the case maybe), they do not have any relationship with any other Directors, Supervisors, senior management of our Company or substantial shareholders of our Company;

(iii) they have not completed their education programs as disclosed in this section by way of attendance of long distance learning or online courses;

(iv) there is no other matter with respect to the appointment of our Directors, Supervisors and senior management that needs to be brought to the attention to the Shareholders as of the Latest Practicable Date; and

(v) there is no other information relating to our Directors, Supervisors and senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

Each of our independent non-executive Directors has confirmed that:

(i) their independence after taking into consideration each of the factors referred to under Rules 3.13(1) to 3.13(8) of the Listing Rules;

(ii) they do not have any past or present financial or other interest in the business of our Company or our subsidiaries, or any connection with any core connected person of our Company; and

(iii) there are no other factors which may affect their independence at the time of their appointment as our independent non-executive Director.

JOINT COMPANY SECRETARIES

Ms. ZHU Yuyu has been appointed as one of our joint company secretaries with effect from [**REDACTED**]. Ms. ZHU is an executive Director, a deputy general manager and secretary of the Board of our Company. For her biography, see "— Board of Directors — Executive Directors" in this section.

Ms. CHU Cheuk Ting (朱卓婷) has been appointed as one of our joint company secretaries with effect from [**REDACTED**].

Ms. CHU currently serves a manager of the listing services department of TMF Hong Kong Limited and is responsible for the provision of corporate secretarial and compliance services to listed company clients. She has over 12 years of experience in the corporate service field. Ms. CHU is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Ms. CHU holds a bachelor of arts degree from The Hong Kong Polytechnic University and a master of science in professional accounting and corporate governance from the City University of Hong Kong.

BOARD COMMITTEES

Our Company has established three committees under the Board in accordance with the relevant laws and regulations in mainland China, the Articles and the code of corporate governance practices under the Listing Rules, including the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee.

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to (i) assisting our Board by providing an

independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, (ii) overseeing the audit process, and (iii) performing other duties and responsibilities as assigned by our Board. The Audit Committee comprises three independent non-executive Directors, namely, Dr. JIN Jian, Ms. WANG Lijuan and Mr. IP Wang Hoi. Ms. WANG Lijuan is the chairperson of the Audit Committee. Mr. IP Wang Hoi holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Appraisal Committee

We have established a Remuneration and Appraisal Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Appraisal Committee are to (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving remuneration proposals in accordance with the corporate policies and objectives resolved by our Board. The Remuneration and Appraisal Committee comprises one executive Director, namely, Dr. LIANG, and two independent non-executive Directors, namely, Mr. WEI Shirong and Mr. IP Wang Hoi. Mr. IP Wang Hoi is the chairperson of the Remuneration and Appraisal Committee.

Nomination Committee

We have established a Nomination Committee in compliance with the Code on Corporate Governance set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to (i) reviewing the structure, size and composition of our Board, (ii) assessing the independence of independent non-executive Directors and (iii) making recommendations to our Board on matters relating to the appointment of Directors. The Nomination Committee comprises one executive Director, namely, Ms. ZHU Yuyu, and two independent non-executive Directors, namely, Dr. JIN Jian and Mr. WEI Shirong. Mr. WEI Shirong is the chairperson of the Nomination Committee.

CORPORATE GOVERNANCE CODE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the [**REDACTED**] except for code provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of the board and chief executive should be separate and should not be performed by the same individual.

The roles of chairperson of the Board and chief executive officer of our Company are currently performed by Dr. LIANG. In view of Dr. LIANG's substantial contribution to our Group since our establishment and his extensive experience, we consider that having Dr. LIANG acting as both our chairperson of the Board and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Dr. LIANG continues to act as both our chairperson of the Board and chief executive officer after the [**REDACTED**], and therefore currently do not propose to separate the functions of chairperson of the Board and chief executive officer. While this would constitute a deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises four independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Dr. LIANG and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether the separation of the roles of chairperson of the Board and chief executive officer is necessary.

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 select potential Board candidates based on merit and their potential contribution to our Board while taking into consideration our own business model and specific needs from time to time.

Our Board has a balanced mix of knowledge, skills and experience. They completed studies in various majors including but without limitation to molecular and cellular biology, chemistry, electrical engineering and automation, business administration, economics, clinical medicine, biochemistry and molecular biology and law. We have four independent non-executive Directors who have different industry backgrounds. Furthermore, our Directors are

of a wide range of age, from 39 to 65 years old. Taking into account our business model and specific needs as well as the presence of three female Directors out of a total of eleven Board members, we consider that the composition of our Board satisfies our board diversity policy.

We recognize the particular importance of gender diversity on our Board. 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 shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim of increasing the proportion of female members over time after [**REDACTED**]. In particular, taking into account the business needs of our Group and changing circumstances that may affect our business plans, we will actively identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be periodically reviewed by our Nomination Committee in order to develop a pipeline of potential successors to our Board and promote gender diversity. Additionally, female representatives of our [**REDACTED**] are also considered as potential candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at the mid-to senior-levels so that we have a pipeline of female senior management and potential successors to our Board going forward. We plan to offer well-rounded trainings to female employees whom we consider have the requisite experience, skills and knowledge of our operation and business, on topics including but not limited to business operation, management, accounting and finance, and legal compliance. We are of the view that such strategies will provide our Board with ample opportunities to identify capable female employees to be nominated as Directors in the future, fulfilling our aim to develop a pipeline of female candidates to achieve greater gender diversity in our Board in the long run. We believe that such a merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectations 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 annually 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.

COMPLIANCE ADVISOR

We have appointed Soochow Securities International Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

(i) before the publication of any regulatory announcement, circular, or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the [**REDACTED**] or [**REDACTED**] of its [**REDACTED**] or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the applicable requirements under the Listing Rules and laws and regulations.

The term of appointment of our Compliance Advisor shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

The Directors, Supervisors and senior management members who receive remuneration from the Company are paid in forms of fees, salaries, allowances and benefits in kind, share-based payment expense and pension scheme contributions. When reviewing and determining the specific remuneration packages for our Directors, Supervisors and members of the senior management of our Company, the Shareholders' meetings and the Board of Directors take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in our Group and desirability of performance-based remuneration. As required by the relevant PRC laws and regulations, our Company also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of our Company, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund.

For the years ended December 31, 2022, 2023 and 2024, the total amount of remuneration (including fees, wages, salaries, bonuses and pension scheme contributions) and other benefits in kind (if applicable) paid to our Directors and Supervisors were RMB14.7 million, RMB9.0 million and RMB9.6 million, respectively.

According to existing effective arrangements, we estimate the total remuneration before taxation to be accrued to our Directors and Supervisors in kind for their service for the year ending December 31, 2025 to be approximately RMB5.2 million (without taking into account the share-based payment expense). The actual remuneration of our Directors and Supervisors in 2025 may be different from the expected remuneration.

For the years ended December 31, 2022, 2023 and 2024, the total emoluments paid to the five highest paid individuals (excluding Directors) by us amounted to RMB2.1 million, RMB4.1 million and RMB3.4 million, respectively. None of the five highest paid individuals for the respective year or period was a Supervisor.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any of our subsidiaries.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals.

Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals of our Group during the Track Record Period. For details on Directors' and Supervisors' as well as information on the five highest paid individuals' remuneration during the Track Record Period, see notes 9 and 10 to the Accountants' Report.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, they did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these non-executive Directors may hold directorships from time to time.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information and the respective accompanying notes thereto included in the Accountants' Report set out in Appendix I to this document which have been prepared in accordance with IFRS. Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors." In evaluating our business, you should carefully consider the information provided in this document including but not limited to the sections headed "Risk Factors" and "Business" in this document.

OVERVIEW

We primarily focus on the R&D, manufacturing and commercialization of inhalation technologies and inhalation drugs, with a focus on treating respiratory diseases. We have developed a product portfolio with a broad coverage of patients, medical specialties, and therapeutic areas. Today, we are advancing the global development of over 20 product candidates in major markets including China, U.S. and/or Europe, as well as emerging markets, such as Southeast Asia and South America. Our research explores novel formulations, such as liposomes and small-interfering RNA (siRNA) inhalation formulations, and expands into new disease areas, including CNS disorders and anti-infectives. We are also developing new treatment methodologies, such as EBV, and developing potential first-in-class or first-in-China treatments for diseases that have a significant impact on patient lives, such as IPF and PAH.

In 2022, 2023 and 2024, our revenue amounted to RMB349.1 million, RMB556.4 million and RMB607.8 million, respectively, and our gross profit amounted to RMB267.5 million, RMB457.5 million and RMB491.4 million, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following.

Growth of the Inhalation Formulation Market

Our financial performance and future growth depend on the overall growth of the inhalation formulation market. In 2024, the number of asthma and COPD patients have reached 69.6 million and 107.8 million, respectively, and is expected to reach 80.0 million and 112.6 million in 2033 in China. As major types of inhalation formulation application, the increasing number of asthma and COPD patients are expected to drive the growth of inhalation formulation market for respiratory disease. According to F&S, the inhalation formulation market for respiratory disease in China is expected to grow from RMB23.2 billion in 2024 to RMB35.1 billion in 2033 at a CAGR of 4.7% from 2024 to 2033.

In addition to the overall growth of inhalation formulation market, we have also benefitted from and expect to continue to benefit from favorable industry trends such as the growing awareness of inhalation formulations, increasing applications of inhalation technologies in new therapeutic areas and market consolidation. For details, see "Industry Overview." As a leader in inhalation drug delivery technology worldwide, we believe we are well positioned to continue to capture market share in the large and growing inhalation formulation market and expect our results of operations to continue to improve in the future.

New Product Development and Commercialization

As a company specializing in developing inhalation formulations, our financial performance depends largely on our ability to develop and commercialize new products. In 2022, 2023 and 2024, our revenue amounted to RMB349.1 million, RMB556.4 million and RMB607.8 million, respectively; and our gross profit amounted to RMB267.5 million, RMB457.5 million and RMB491.4 million, respectively. Our first product, CF017 was approved by the NMPA in May 2021, and was included in the VBP within one month since its approval. Since then, CF017 has generated significant sales revenue. During the Track Record Period, substantially all of our revenue were generated from sales of CF017, which represented 96.2%, 98.4%, and 94.5% of our total revenue in 2022, 2023 and 2024. As such, our gross profit margin during the Track Record Period largely reflects the gross profit margin of CF017. We expect that CF017 will continue to contribute significantly to our revenue in the near future.

In addition to CF017, we successfully obtained product approvals during the Track Record Period. We are actively implementing commercial strategies for each product by leveraging government-funded medical reimbursement programs such as the NRDL and the VBP, as well as retail sales. For example, since the inclusion of CF018 in the NRDL in December 2023, sales revenue generated from CF018 has significantly increased, growing from RMB1.3 million in 2023 to RMB23.9 million in 2024. Going forward, we believe these products will also contribute to our revenue. As these products have different profit margins, we expect that changes in product mix will also impact our overall gross profit margin in the future.

We also have over 20 product candidates under various stages of development and we expect that we will be able to obtain several product approvals in the near future, with several products under late-stage clinical trials or PK-BE trails. We believe these candidates represent the long-term growth opportunities of the inhalation formulation market. The development and commercialization of these products will further diversify our revenue source, impact our gross profit margin, and enable us to maintain sustainable growth. For details of our product pipeline, see "Business — Our Product Portfolio."

Our Sales Model

We primarily engage distributors in selling our inhalation formulation products in China, and also work with third-party promoters to conduct certain sales and marketing activities. In 2022, 2023 and 2024, approximately 98.8%, 99.5% and 99.3% of our revenue from sale of products was generated from sale to our distributors. Our distributors are primarily responsible for delivering our products to hospitals, pharmacies and other third parties and do not carry out sales and marketing activities for our products. In 2022, 2023 and 2024, we incurred RMB95.8 million, RMB169.6 million and RMB185.7 million in business development expenses, primarily including service fees we paid to third party promoters. In 2022, 2023 and 2024, we engaged 14, 14 and 15 third-party promoters. Our future revenue growth will largely depend on our ability to maintain and expand our distribution network and whether we can conduct our sales and marketing activities in an efficient manner.

We are also actively exploring opportunities to finetune our sales model to improve our operating efficiency, taking into account the rapidly evolving market and regulatory framework in China. For example, we are gradually renegotiating distribution agreement terms with distributors, and aim to consolidate the responsibilities of sales and marketing and product delivery for more streamlined operations. Our distributors may undertake increasing sales and marketing activities. In light of this, we may also reduce the number of third party promoters we engage going forward, which is expected to lead to a decrease in our sales and marketing expenses as a percentage of revenue. Please also see "Risk Factors — Risks Relating to Our Business and Industry — Our business development, marketing and promotion activities may be costly and may not achieve our expected results."

Our Operating Expenses

Our ability to effectively manage our operating expenses, including our selling and distribution expenses, administrative expenses and research and development expenses, also impact our profitability. Our selling and distribution expenses increased from RMB135.6 million in 2022 to RMB222.4 million in 2023, and further increased to RMB235.7 million in 2024. Our administrative expenses slightly decreased from RMB110.0 million in 2022 to RMB100.5 million in 2023, and then increased to RMB129.0 million in 2024. Our research and development expenses increased from RMB107.2 million in 2022 to RMB132.8 million in 2023, and then decreased to RMB121.8 million in 2024. For details, see "— Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income/(Loss) Items."

In 2022, 2023 and 2024, our administrative expenses as a percentage of our revenue amounted to 31.5%, 18.1%, and 21.2%, respectively, and our research and development expenses as a percentage of our revenue amounted to 30.7%, 23.9% and 20.0%, respectively. Such decreases primarily reflect our ability to achieve economies of scale while our revenue continues to grow. Our selling and distribution expenses as a percentage of our revenue remained relatively stable at 38.8%, 40.0% and 38.8%, respectively.

We expect our operating expenses to evolve as our business expands, as we develop and launch new offerings in the future, as we adjust sales and R&D strategies based on market and regulatory dynamics, among other things. Going forward, we will continue to endeavor to further improve operating efficiency and to enhance economies of scale to enhance our profit margin.

Regulatory Environment in China

The inhalation formulation market in China is highly regulated. The implementation and enforcement of government policies and regulations in China generally have a significant impact on the development, supply, manufacturing, price and sales of inhalation formulations in China, which also increase the cost of compliance with such policies and regulations for inhalation formulation companies in China. For details, see "Regulatory Overview." Our revenue and profitability have also benefited from policies in China to support the development and innovation of inhalation formulation products, such as the Action Plan for the Prevention and Treatment of Chronic Respiratory Diseases 2024-2030 (健康中國行動—慢性呼吸系統疾病行動實施方案(2024-2030年)). In September 2024, COPD was included in the National Essential Public Health Services Programs, which emphasized the importance of diagnosis and treatment of COPD in the public health system in China, which is expected to drive the increase of the diagnosis and treatment rates of COPD in China.

In recent years, the healthcare regulatory framework in China has undergone significant changes, which may affect our financial condition and results of operations. Market acceptance and sales volume of certain commercialized and pipeline products depend, in part, on the level of government spending on healthcare and the coverage of our product portfolio under government medical reimbursement or procurement schemes. For details, see "Regulatory Overview — Other Laws and Regulations In Relation To Medical Industry." The inclusion of our products in the NRDL, VBP or other government-sponsored medical insurance programs will have an impact on our sales volume and selling prices. For details on the impact of the NRDL and the VBP, see "Business — Pricing."

The regulatory framework for the inhalation formulation industry in China is constantly evolving, and we expect it will continue to evolve. For example, the negotiation or procurement process are continuously adjusted and optimized on a national and provincial level. Further, we renegotiate the VBP inclusion, VBP renewal or NRDL inclusion of our products from time to time. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We face uncertainties arising from the VBP scheme in China, which could adversely affect our market share and profitability."

BASIS OF PRESENTATION AND PREPARATION

Our historical financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from January 1, 2021, together with the relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information throughout the Track Record Period. We have not adopted any new standards or interpretations that were not yet effective during the Track Record Period. See note 2.1 to the Accountants' Report set out in Appendix I to this document for details. Our 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 December 31, 2022, 2023 and 2024.

MATERIAL ACCOUNTING POLICY INFORMATION

The preparation of our consolidated financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Our critical accounting policies and estimates are set forth in detail in note 2.3 and note 3 to the Accountants' Report set out in Appendix I of this document.

Revenue Recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which 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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Share-based Payments

We operate share award schemes. Our employees (including Directors) and consultants receive remuneration in the form of share-based payments whereby rendering services in exchange for equity instruments. The cost of equity-settled transactions with employees is measured by reference to the fair values at the dates at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out method and net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Investments and other financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure 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 we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "— Material Accounting Policy Information — Revenue Recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Our business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Impairment of financial assets

We recognize 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.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

As of the end of each year comprising the Track Record Period, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days invoiced for groupings of various customer segments with similar loss patterns (by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Considering the relatively low credit term we grant to our customers and the short trade receivable settlement cycles in the past, we adopts an expected credit loss of 5% throughout the Track Record Period.

We consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	5 to 20 years	5%
Machinery	3 to 10 years	5%
Motor vehicles	4 to 5 years	5%
Furniture and fixtures	3 to 5 years	5%
Leasehold improvements	Over the shorter of the lease term and estimated useful lives	0%

In accordance with IAS 36, we conducted an analysis and identified no indications that the economic performance of our non-financial assets was, or would be, worse than expected. While we incurred losses in 2022 primarily due to high research and development expenditure and the ramp-up period of product sales, the progress of our R&D activities and the sales performance remained consistent with our expectations. In 2023 and 2024, we recorded profits, reflecting the anticipated improvement in our financial performance. As of the balance sheet dates of 2022, we assessed the recoverable amounts of our non-financial assets and identified no indications of impairment. Accordingly, we determined that there was no need to recognize an impairment provision during those periods.

Other Intangible Assets (Other Than Goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such other intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Purchased patents and licenses are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 5 to 10 years.

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized only when our 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. Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income/(loss) or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the financial year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses.

BUSINESS SUSTAINABILITY

Our Historical Performance

Since our inception, we have been dedicated to the development of inhalation drug delivery technology, with a focus on treating respiratory diseases. Inhalation formulations are highly complex and challenging to develop and manufacture, requiring years of technology, know-how and systems build-up. Over the past 12 years, we have established technology platforms across a full spectrum of inhalation formulations, including nebulizers, nasal sprays, DPIs, MDIs and SMIs, with capabilities across particle engineering, device design, process engineering, and clinical development. Leveraging these capabilities, we advanced a deep pipeline of inhalation drugs for major respiratory diseases such as asthma and COPD. Our efforts in technology build-up and drug development over the years necessitated significant investments in R&D, which resulted in accumulated losses of RMB808.3 million as of January 1, 2022.

Starting in 2021, our R&D efforts began to pay off with our first product, CF017, approved by the NMPA and included in the VBP in the same year. Over the next few years, our sales ramp-up for CF017 and the subsequent approval of five more inhalation drugs led to rapid revenue growth. Our revenue increase from RMB349.1 million in 2022 to RMB556.4 million in 2023, and further increased to RMB607.8 million in 2024. Although we continued to incur significant R&D expenses for our other pipeline products, as well as growing selling and distribution expenses as our sales activities expanded, we were able to gradually turn losses into profit during the Track Record Period due to the launch and sales of our approved products. Our first approved product, CF017, was included in the first batch of VBP list for eight provinces in China. Since then, it has achieved significant sales revenue growth, increasing from RMB335.9 million in 2022 to RMB547.8 million in 2023, and further increased to RMB574.5 million in 2024. As of the Latest Practicable Date, our CF017 had penetrated over 10,000 hospitals and medical institutions.

Although we have experienced significant sales growth during the Track Record Period, we incurred net loss of RMB49.4 million in 2022, primarily because we only commenced large-scale commercialization of our first inhalation formulation product, CF017 in September 2021 and this product remained in ramp-up stage, whereas we incurred relatively high selling and marketing expenses to promote our inhalation formulation products; R&D expenses to develop new inhalation formulation products; and administrative expenses to support our daily operation. As our business continue to expand, we have been able to enhance our economies of scale and become profitable in 2023. We recorded net profit of RMB31.7 million in 2023 and RMB21.1 million in 2024.

For a period-on-period analysis of our financial performance, see "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income/(Loss) Items" and "Financial Information — Results of Operations."

Our Strategies to Deliver Sustainable Revenue Growth and Profitability

We believe there will continue to be a significant demand for inhalation formulation drugs in the treatment and management of respiratory diseases. The global respiratory drug market is vast, driven by the increasing prevalence of respiratory diseases such as asthma, COPD and allergic rhinitis. It is estimated that nearly 2.5 billion people worldwide are living with chronic respiratory diseases today, and this number is expected to grow in the future. The global respiratory drug market size was valued at US$99.9 billion (approximately RMB729.2 billion) in 2024, and it is projected to reach US$157.2 billion (approximately RMB1,147.4 billion) by 2033, growing at a CAGR of 5.2%. Being a major application of inhalation formulations, the inhalation formulation market for respiratory disease in China is expected to grow from RMB23.2 billion in 2024 to RMB35.1 billion in 2033 at a CAGR of 4.7% from 2024 to 2033.

Going forward, we expect to sustain our revenue growth and maintain profitable taking into account the following factors.

- ***Revenue growth from existing products***. During the Track Record Period, substantially all of our revenue was generated from sales of CF017 products. We believe revenue from sales of CF017 as a single product will continue to contribute to a significant portion of our revenue going forward and we plan to leverage the VBP scheme as well as further deepen its non-VBP channel sales to maintain our market position. As we continue to deepen market penetration for other approved products, we expect that our revenue will continue to benefit from other products. For example, CF018 was included in the NRDL in December 2023 and its revenue has increased from RMB1.3 million in 2023 to RMB23.9 million in 2024. In addition, we plan to further penetrate CF036 and CF038, leveraging the potential to use them as a combo therapy with CF017.

- ***Diversify our revenue source through new products***. As we continue to develop and launch new products, we expect that our revenue will be further diversified. Currently, we expect to obtain several product approvals in the near future, with several products under late-stage clinical trials or PK-BE trials. Leveraging our existing distribution network, we believe these products will further improve our profitability.

- ***Continue to improve selling and distribution efficiency and output***. During the Track Record Period, we engaged third-party distributors for delivering our products to hospitals, pharmacies and other customers and promoters to market our products under the VBP scheme. Given the large sales networks and collaborative relationships with local hospitals and physicians of many distributors, we have decided to increase collaboration with distributors and consolidate the responsibilities of sales and marketing and product delivery for more streamlined operations. As our distributors may undertake increasing sales and marketing activities, we may adjust product pricing considering their increased responsibility. In light of this, we may also engage fewer third-party promoters going forward, pursuant to which we may reduce our selling and distribution expenses.

- ***Enhance economies of scale to control administrative expenses***. We have benefited from operational efficiency arising from the economies of scale we have achieved and will continue to actively control our administrative expenses and expect that our administrative expenses as a percentage of revenue will continue to decrease as our business expands. We also plan to improve our operating efficiency by continuously upgrading our budget control system to drive cost-efficient business operation.

Our Directors believe that, considering the above, our business is, and will continue to be sustainable and profitable in the future.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME/(LOSS) ITEMS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income/(loss) for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	349,127	100.0	556,421	100.0	607,752	100.0
Cost of revenue	(81,672)	(23.4)	(98,913)	(17.8)	(116,380)	(19.1)
Gross profit	267,455	76.6	457,508	82.2	491,372	80.9
Other income and gains	16,742	4.8	24,437	4.4	19,708	3.2
Selling and distribution expenses	(135,575)	(38.8)	(222,380)	(40.0)	(235,650)	(38.8)
Administrative expenses	(110,020)	(31.5)	(100,493)	(18.1)	(129,007)	(21.2)
Research and development expenses	(107,227)	(30.7)	(132,788)	(23.9)	(121,849)	(20.0)
Reversal/(impairment loss) on financial assets	(1,386)	(0.4)	(612)	(0.1)	(1,328)	(0.2)
Other expenses	(440)	(0.1)	(2,965)	(0.5)	(2,205)	(0.4)
Finance costs	(164)	(0.0)	(165)	(0.0)	(1,783)	(0.3)
Share of profits and losses of an associate	–	–	(99)	(0.0)	(74)	(0.0)
(Loss)/profit before tax	**(70,615)**	**(20.2)**	**22,443**	**4.0**	**19,184**	**3.2**
Income tax credit/ (expense)	21,216	6.1	9,283	1.7	1,904	0.3
(Loss)/Profit for the year	**(49,399)**	**(14.1)**	**31,726**	**5.7**	**21,088**	**3.5**
Other comprehensive income/(loss)	**415**	**0.1**	**(587)**	**(0.1)**	**(294)**	**0.0**
Total comprehensive (loss)/profit for the year	**(48,984)**	**(14.0)**	**31,139**	**5.6**	**20,794**	**3.4**

Non-IFRS Measure

To supplement our historical financial information, which is presented in accordance with IFRS, we also use adjusted profit/(loss) (non-IFRS measure) as additional financial measured, which are not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company by adjusting for potential impacts of items. We believe that this measure provides useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations. Our presentation of adjusted profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as analytical tools, and you should not consider them in isolation form, or as substitutes for analysis of, or our results of operations as reported under IFRS.

The following table reconciles our adjusted profit/(loss) (non-IFRS measure) for the years presented in accordance with IFRS, which is profit/(loss) for the year.

	For the year ended December 31,		
	2022	2023	2024
		RMB'000	
(Loss)/Profit for the year	**(49,399)**	**31,726**	**21,088**
Add:			
Share-based payment expenses	15,920	16,680	7,823
[**REDACTED**] expenses	–	–	22,963
Non-IFRS measure			
Adjusted (loss)/profit for the year (non-IFRS measure)	**(33,479)**	**48,406**	**51,874**

Notes:

(1) Share-based payment expenses are non-cash in nature.

(2) [**REDACTED**] expenses represent expenses related to the [**REDACTED**].

Revenue

We primarily generated revenue from the sales of our inhalation formulation products during the Track Record Period. To a lesser extent, we also generated revenue from sale of consumer health products and provision of outsourced R&D and manufacturing services, which supplemented our cash flow and utilized unused facilities before we began to ramp up commercial-scale production and sales of our inhalation formulation products. The following table sets forth the breakdown of our revenue by offering type for the periods indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales of products						
Inhalation products						
CF017	335,941	96.2	547,763	98.4	574,492	94.5
CF018	416	0.1	1,330	0.2	23,888	3.9
Others	–	–	453	0.1	270	0.1
Subtotal	*336,357*	*96.3*	*549,546*	*98.7*	*598,650*	*98.5*
Consumer health products	9,635	2.8	3,686	0.7	4,575	0.8
Subtotal	*345,993*	*99.1*	*553,231*	*99.4*	*603,225*	*99.3*
Provision of technical services	3,134	0.9	3,190	0.6	4,527	0.7
Total	**349,127**	**100.0**	**556,421**	**100.0**	**607,752**	**100.0**

Sales of Products

The following table summarizes the sales volume and average selling price of our major products during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	'000	*RMB*	*'000*	*RMB*	*'000*	*RMB*
CF017	120,912.4	2.78	198,264.5	2.76	209,493.1	2.74
CF018	1.3	309.73	4.3	309.73	341.1	70.04

CF017

CF017, our first approved drug, received its approval from the NMPA in May 2021, and was included in the VBP list for eight provinces in China within one month of its NMPA approval. Since then, it has achieved significant sales growth. During the Track Record Period, a significant majority of our revenue was generated from sales of CF017. Revenue generated from sales of CF017 increased from RMB335.9 million in 2022 to RMB547.8 million in 2023, and further increased to RMB574.5 million in 2024.

CF018

CF018 was approved in China in November 2022. In 2022 and 2023, revenue generated from CF018 amounted to RMB0.4 million and RMB1.3 million. In December 2023, CF018 was included in the NRDL. Although the NRDL has resulted in a decrease in its average selling price, its sales volume has significantly increased, and its sales revenue increased from RMB1.3 million in 2023 to RMB23.9 million in 2024.

Consumer health products

During the Track Record Period, we generated a small portion of our revenue from sales of several consumer health products, such as nasal irrigation solutions. Since the gradual approval of our inhalation formulation products, we have strategically shifted focus from consumer health products. As such, revenue generated from sales of these consumer health products as a percentage of our total revenue decreased from 2.8% in 2022 to 0.7% in 2023 and 0.8% in 2024.

Provision of technical services

To a lesser extent, leveraging our inhalation formulation R&D and manufacturing capabilities, we are able to provide various outsourced services, which also enable us to utilize unused facilities while we ramp up production of our own drugs. Revenue generated from provision of technical services amounted to RMB3.1 million, RMB3.2 million and RMB4.5 million in 2022, 2023 and 2024.

Cost of Revenue

Our cost of revenue mainly consists of raw materials, direct labor costs and manufacturing costs. The following table sets forth the breakdown of our cost of revenue by nature for the periods indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Manufacturing costs	34,870	42.7	50,029	50.6	60,731	52.2
Direct labor costs	14,225	17.4	13,194	13.3	11,225	9.6
Raw materials cost	32,577	39.9	35,690	36.1	44,424	38.2
Total	**81,672**	**100.0**	**98,913**	**100.0**	**116,380**	**100.0**

Gross Profit and Gross Profit Margin

In 2022, 2023 and 2024, our gross profit was RMB267.5 million, RMB457.5 million and RMB491.4 million, representing a gross profit margin of 76.6%, 82.2% and 80.9%, respectively. During the Track Record Period, 96.2%, 98.4%, and 94.5% of our total revenue in 2022, 2023 and 2024 was attributable to sales of CF017. As such, our gross profit margin during the Track Record Period largely reflects the gross profit margin of CF017 and the increase in our gross profit margin primarily reflects the economies of scale we achieved as our sales revenue from CF017 significantly grew.

The following table summarizes the gross profit and gross profit margin of each of the inhalation products we sold during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
CF017	264,528	78.7	460,612	84.1	491,301	85.5
CF018	140	33.7	(4,792)[2]	N/A[2]	1,555	6.5
Others[1]	–	–	80	17.7	(1,803)[3]	N/A[3]

Note:

(1) Others represent CF036 and CF038.

(2) We recorded gross loss and gross loss margin for CF018 in 2023 primarily due to the amortization and depreciation of CF018 and a decrease in its selling price following its inclusion in the NRDL. In 2022, CF018 only recorded a minimal sales volume as it was newly launched near year end, resulting in limited allocation of amortization and depreciation expenses to the cost of sales for that year. In 2023, as CF018 commenced commercial sales and its sales volume increased, we began to systematically amortize relevant intangible assets and depreciate production equipment, resulting in higher fixed costs allocated to each unit sold. Given the relatively low sales volume during the year, these fixed costs were not fully absorbed, leading to a gross loss for CF018 in 2023, despite no change in sales price.

(3) We recorded gross loss and gross loss margin for CF036 and CF038 primarily because we made provisions for these products in anticipation of its sales performance in the future. Given the low sales volumes and intense market competition during the Track Record Period, we expect that a portion of inventories may not be sold at cost in the foreseeable future. As a result, we made provisions for inventory impairment, which were recognised in cost of sales.

Other Income and Gains

Our other income and gains primarily consist of (i) government grants, primarily representing subsidies received from the local governments for expenses arising from research and development activities, tax rewards in relation to our High and New Technology Enterprise status, rewards for financial contribution and capital expenditure incurred on certain projects, some of which are one-off in nature and some are recurring over a period of time with no unfulfilled conditions; (ii) gain on financial assets at fair value through profit or loss; (iii) interest income from bank deposits with original maturity of more than three months when acquired; and (iv) interest income from cash in bank. The following table sets forth the breakdown of our other income and gains for the periods indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Government grants	2,998	17.9	10,846	44.4	10,354	52.5
Gain on financial assets at fair value through profit or loss	9,379	56.0	9,291	38.0	8,381	42.5
Interest income from bank deposits with original maturity of more than three months when acquired	3,919	23.4	2,078	8.5	–	–
Interest income from cash in bank	369	2.2	1,844	7.5	608	3.1
Others	77	0.5	378	1.5	365	1.9
Total	**16,742**	**100.0**	**24,437**	**100.0**	**19,708**	**100.0**

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) business development expenses we incurred to maintain and develop our sales network, including marketing expenses we paid to third party promoters; (ii) staff costs for our sales and marketing personnel, including their salaries and share-based compensation; (iii) transportation and travel fees in relation to our sales and marketing activities; (iv) depreciation and amortization and (v) others. The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Business development expenses	95,823	70.7	169,616	76.3	185,693	78.8
Staff costs	33,307	24.6	43,855	19.7	41,080	17.4
Transportation and travel fees	2,489	1.8	4,996	2.2	5,175	2.5
Depreciation and amortization	2,321	1.7	2,160	1.0	2,114	1.0
Others	1,635	1.2	1,754	0.8	1,588	0.7
Total	**135,575**	**100.0**	**222,380**	**100.0**	**235,650**	**100.0**

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs for our administrative and other staff, including their salaries and share-based compensation; (ii) depreciation and amortization; (iii) professional services fees we paid primarily relating to our previous [**REDACTED**] attempts and the [**REDACTED**]; (iv) rent and utilities expenses; (v) office and administrative expenses (vi) business hospitality expenses; (vii) maintenance and repair expenses; and (viii) other miscellaneous expenses. The following table sets forth the breakdown of our administrative expenses for the periods indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Staff costs	44,297	40.3	44,228	44.0	46,542	36.1
Depreciation and amortization	17,320	15.7	20,863	20.8	22,632	17.5
Professional services fees	23,954	21.8	7,530	7.5	36,301	28.2
Rent and utilities expenses	5,972	5.4	6,426	6.4	4,733	3.7
Office and administrative expenses	7,563	6.9	5,725	5.7	6,548	5.1
Business hospitality expenses	3,565	3.2	4,528	4.5	2,691	2.1
Maintenance and repair expenses	1,789	1.6	2,941	2.9	1,286	1.0
Others	5,560	5.1	8,251	8.2	8,274	6.4
Total	**110,020**	**100.0**	**100,493**	**100.0**	**129,007**	**100.0**

Research and Development Expenses

Our research and development expenses primarily consist of (i) testing and technical service fees; (ii) staff costs in relation to our research and development team, including their salaries and share-based compensations; (iii) costs of raw materials used in our research and development projects; (iv) depreciation and amortization expenses; and (v) others. The following table sets forth the breakdown of our research and development expenses for the periods indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Testing and technical service fees	45,610	42.5	62,665	47.2	47,737	39.2
Staff costs	31,065	29.0	39,721	29.9	40,610	33.3
Raw materials costs	19,174	17.9	16,605	12.5	18,259	15.0
Depreciation and amortization expenses	6,654	6.2	8,147	6.1	9,345	7.7
Others	4,723	4.4	5,649	4.3	5,898	4.8
Total	**107,227**	**100.0**	**132,788**	**100.0**	**121,849**	**100.0**

We started to capitalize qualified research and development costs of our inhalation formulation products when they reached clinical trials or bioequivalence tests. In 2022, 2023 and 2024, we recognized capitalized R&D costs as additional deferred development costs of RMB16.1 million, RMB26.7 million and RMB38.7 million, respectively. The increase of our deferred development costs was primarily related to the development progress of GW001, CF006/CF043 and CF024.

Reversal/(Impairment Loss) on Financial Assets

Our impairment loss or reversal of impairment loss on financial assets represent the expected credit losses or reversal of the expected credit losses on our trade receivables and other receivables. We recorded impairment loss on financial assets, which amounted to RMB1.4 million, RMB0.6 million and RMB1.3 million in 2022, 2023 and 2024, respectively.

Other Expenses

Our other expenses primarily consist of (i) foreign exchange gains or losses in relation to foreign currencies we have in our cash and cash equivalents; and (ii) donations. We recorded other expenses of RMB0.4 million, RMB3.0 million and RMB2.2 million in 2022, 2023 and 2024, respectively.

Finance Costs

Our finance costs primarily represent interest incurred on our bank loans and handling fees we paid to banks. In 2022, 2023 and 2024, our finance costs amounted to RMB0.2 million, RMB0.2 million and RMB1.8 million, respectively.

Share of Losses of an Associate

Our share of losses of an associate represents our minority investment in Guangzhou Xingzhe Medical New Technology Co., Ltd. (廣州行者醫學新科技有限公司) ("**Guangzhou Xingzhe**"). As of the Latest Practicable Date, we owned 12% of the total issued share capital of Guangzhou Xingzhe. Guangzhou Xingzhe is a medical company primarily engaged in the development of innovative medical devices for the treatment of pulmonary diseases. In 2022, 2023 and 2024, our share of losses of an associate amounted to nil, RMB99 thousand and RMB74 thousand, respectively.

Income Tax Credit/(Expense)

Our income tax credit amounted to RMB21.2 million and RMB9.3 million in 2022 and 2023, respectively. Our income tax credit amounted to RMB1.9 million in 2024.

During the Track Record Period, our Company was qualified as a "High and New Technology Enterprise" in December 2023 for a period of three years, and therefore was entitled to a income tax rate of 15% in 2023 and 2024. In addition, certain of our subsidiaries are qualified as "Small and Micro Enterprise" in China and therefore was entitled to an income tax rate of 20%. Save for the above, our PRC subsidiaries are subject to a statutory income tax rate of 25%. Our U.S. subsidiary is subject to an income tax rate of 21% pursuant to the relevant U.S. tax laws. Pursuant to the Cayman Islands tax laws, our Cayman Islands subsidiary is not subject to any income tax in the Cayman Islands. In addition, our Hong Kong subsidiaries are subject to Hong Kong profits tax at a rate of 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million according to the Hong Kong tax laws.

During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased by 9.2% from RMB556.4 million in 2023 to RMB607.8 million in 2024, reflecting an increase of RMB51.3 million in revenue generated from sales of inhalation products.

Revenue generated from the sales of inhalation products increased by 8.9% from RMB549.5 million in 2023 to RMB598.6 million in 2024. Such increase was primarily attributable to the significant increase in the sales volume of CF017, whereas its averaging selling price remained relatively stable. The increase in the sales volume of CF017 was primarily attributable to the growing market demand for our products and the expansion of our manufacturing capabilities.

Cost of Revenue

Our cost of revenue increased by 17.7% from RMB98.9 million in 2023 to RMB116.4 million in 2024, primarily in line with the growth of our sales volume. Our raw materials cost as a percentage of revenue increase from 6.4% in 2023 to 7.3% in 2024, primarily because of an increase in raw material prices driven by market fluctuations, as well as a higher proportion of sales derived from CF018, which has a higher raw material cost compared to our other products.

Gross Profit and Gross Profit Margin

Our gross profit increased by 7.4% from RMB457.5 million in 2023 to RMB491.4 million in 2024, primarily driven by an increase in our product sales volume while our selling price remained relatively stable.

Our gross profit margin decreased slightly from 82.2% in 2023 to 80.9% in 2024 primarily because we amortized the intangible assets and depreciate our equipment in relation to CF018 at a flat rate, whereas its average selling price decreased due to the inclusion in the NRDL while its sales volume remains ramping up.

Other Income and Gains

Our other income and gains decreased by 19.4% from RMB24.4 million in 2023 to RMB19.7 million in 2024, primarily due to a decrease of RMB0.5 million in government grants and a decrease of RMB2.1 million in interest income from bank deposits with original maturity of more than three months when acquired, as we utilized more capital resources in our business operations.

Selling and Distribution Expenses

Our selling and distribution expenses increased from RMB222.4 million in 2023 to RMB235.7 million in 2024, primarily due to an increase of RMB16.1 million in business development expenses, which was primarily because we implemented measures to enhance the efficiency of our sales and marketing activities, resulting in optimized resource allocation and improved cost management.

Administrative Expenses

Our administrative expenses increased from RMB100.5 million in 2023 to RMB129.0 million in 2024, primarily due to an increase of RMB28.8 million in professional service fees, which was mainly attributable to service fees we paid in relation to the [**REDACTED**].

Research and Development Expenses

Our research and development expenses decreased from RMB132.8 million in 2023 to RMB121.8 million in 2024, primarily due to a decrease of RMB14.9 million in testing and technical service fees, as we engaged third-parties for the design and technical services in relation to GW013 device which have all been completed by the end of 2023.

Other Expenses

Our other expenses decreased from RMB3.0 million in 2023 to RMB2.2 million in 2024, primarily due to a reduction in donations made in 2024 compared to 2023.

Finance Costs

Our finance costs increased from RMB165 thousand in 2023 to RMB1.8 million in 2024, primarily because the new loans we obtained in March 2024.

Share of Losses of an Associate

Our share of losses of an associated remained relatively stable at RMB99 thousand and RMB74 thousand in 2023 and 2024, respectively.

Income Tax Credit/(Expense)

We recorded an income tax credit of RMB1.9 million in 2024, compared to an income tax credit of RMB9.3 million in 2023, primarily reflecting the increase in profit before tax in 2024, which resulted in higher taxable income for the year.

Total Comprehensive Profit for the Period

For the foregoing reasons, we recorded total comprehensive profit of RMB31.1 million and RMB20.8 million in 2023 and 2024, respectively.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 59.4% from RMB349.1 million for the year ended December 31, 2022 to RMB556.4 million for the year ended December 31, 2023, primarily reflecting an increase of RMB213.2 million in revenue generated from sales of inhalation products.

Revenue generated from the sales of inhalation products increased by 63.4% from RMB336.4 million in 2022 to RMB549.5 million in 2023, primarily attributable to the increase in the revenue generated from sales of CF017 from RMB335.9 million in 2022 to RMB547.8 million in 2023. Such increase was primarily attributable to a significant increase in its sales volume, while our average selling price remained relatively stable. The increase in the sales volume of CF017 was primarily attributable to the growing market demand for our products and the expansion of our manufacturing capabilities.

Cost of Revenue

Our cost of revenue increased by 21.1% from RMB81.7 million in 2022 to RMB98.9 million in 2023, primarily due to an increase of RMB15.2 million in our manufacturing costs and an increase of RMB3.1 million in our raw materials cost, which were in line with our increased production and sales. Our raw materials costs as a percentage of revenue decreased from 9.3% in 2022 to 6.4% in 2023, primarily because we were able to source more cost-effective raw materials and packaging materials.

Gross Profit and Gross Profit Margin

Our gross profit increased by 71.1% from RMB267.5 million in 2022 to RMB457.5 million in 2023 was primarily driven by an increase in the sales volume of CF017 while we were able to maintain stable prices for major product types. Our gross profit margin increased from 76.6% in 2022 to 82.2% in 2023 primarily because we were able to achieve economies of scale as our business expanded, which enabled us to be more cost effective and a decrease in our raw materials costs as we are able to source more cost-effective raw materials and packaging materials.

Other Income and Gains

Our other income and gains increased by 46.0% from RMB16.7 million in 2022 to RMB24.4 million in 2023, primarily due to an increase of RMB7.8 million in government grants, primarily because we received more government grants in relation to the R&D progress we achieved in 2023.

Selling and Distribution Expenses

Our selling and distribution expenses increased significantly from RMB135.6 million in 2022 to RMB222.4 million in 2023, primarily due to an increase of RMB73.8 million in business development expenses, which primarily reflected our increased sales and marketing efforts in relation to CF017.

Administrative Expenses

Our administrative expenses decreased from RMB110.0 million in 2022 to RMB100.5 million in 2023, primarily due to a decrease of RMB16.4 million in professional services fees, which were primarily because we paid more service fees in 2022 in relation to our previous listing attempts. Such decrease was partially offset by increases in depreciation and amortization and other administrative expenses, which were generally in line with our business growth.

Research and Development Expenses

Our research and development expenses increased from RMB107.2 million in 2022 to RMB132.8 million in 2023, primarily due to an increase in testing and technical service fees, primarily relating to GW013 and an increase in staff costs as we increased headcount of research and development staff to support the R&D of our inhalation formulation candidates.

Other Expenses

Our other expenses increased from RMB0.4 million in 2022 to RMB3.0 million in 2023, primarily because we had foreign exchange losses of RMB0.2 million in 2023 as compared to foreign exchange gains of RMB2.5 million in 2022, reflecting the effect of appreciation of Renminbi on our cash and cash equivalents denominated in foreign currency.

Finance Costs

Our finance costs remained relatively stable at RMB164 thousand and RMB165 thousand in 2022 and 2023, respectively.

Share of Losses of an Associate

Our share of losses of an associated was nil and RMB99 thousand in 2022 and 2023, respectively primarily because we completed the investment in Guangzhou Xingzhe in April 2023.

Income Tax Credit

Our income tax credit decreased from RMB21.2 million in 2022 to RMB9.3 million in 2023, primarily because we started to generate net profit before tax in 2023, as compared to a net loss before tax position in 2022.

Total Comprehensive Profit/Loss for the Year

For the foregoing reasons, we recorded total comprehensive loss of RMB49.0 million in 2022, as compared to total comprehensive profit of RMB31.1 million in 2023.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

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

	As of December 31,		
	2022	2023	2024
		RMB'000	
NON-CURRENT ASSETS			
Property, plant and equipment	299,390	402,060	531,132
Right-of-use assets	29,071	28,388	31,165
Other intangible assets	75,513	94,934	121,952
Investments in associates	–	1,901	1,827
Deferred tax assets	83,685	92,968	94,873
Other non-current assets	43,295	19,851	15,861
Total non-current assets	530,954	640,102	796,810
CURRENT ASSETS			
Inventories	28,291	36,098	47,180
Trade receivables	8,937	2,870	27,130
Prepayments, other receivables and other assets	20,874	35,451	34,787
Financial assets at fair value through profit or loss	236,389	330,847	266,063
Restricted cash and time deposits	114,935	19,165	5,119
Cash and cash equivalents	74,838	70,612	81,937
Total current assets	484,264	495,043	462,216
CURRENT LIABILITIES			
Trade and bills payables	13,117	27,206	20,587
Other payables and accruals	122,808	141,546	204,122
Interest-bearing borrowings	–	816	18,466
Lease liabilities	1,264	1,897	2,433
Total current liabilities	137,189	171,465	245,608
NET CURRENT ASSETS	347,075	323,578	216,608
TOTAL ASSETS LESS CURRENT LIABILITIES	878,029	963,680	1,013,418
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	–	19,200	55,350
Lease liabilities	240	–	2,848
Deferred income	863	19,457	15,938
Other non-current liabilities	15,000	15,000	–
Total non-current liabilities	16,103	53,657	74,136
Net assets	861,926	910,023	939,282

Property, Plant and Equipment

Our property, plant and equipment consist of buildings, leasehold improvements, machinery, furniture and fixtures, motor vehicles and construction in progress. Our property, plant and equipment increased from RMB299.4 million as of December 31, 2022, RMB402.1 million as of December 31, 2023 and further to RMB531.1 million as of December 31, 2024. The increase in property, plant and equipment at the end of each year during the Track Record Period was primarily attributable to the construction of our manufacturing facilities in Suzhou.

Other Intangible Assets

Our other intangible assets represent our software, patents and licenses and deferred development costs. We had other intangible assets of RMB75.5 million, RMB94.9 million and RMB122.0 million as of December 31, 2022, 2023 and 2024, respectively. The increase in the carrying amount of our other intangible assets was primarily due to the deferred development costs we recognized in relation to our inhalation formulation candidates that reach bioequivalent test or clinical trial stages. According to relevant laws and regulations, the patent protection period for our pharmaceutical technologies is 10 years. In addition, taking into account industry practice for determining the economic life of pharmaceutical products, our management has adopted a useful life of ten years commencing from the date when the products are put into commercial production for the purpose of cash flow projections.

Inventories

Our inventories primarily consist of raw materials, work-in-progress and finished goods. The following table summarizes our inventories as of the date indicated and inventory turnover days for the periods indicated.

	As of December 31,		
	2022	2023	2024
		RMB'000	
Raw materials	14,158	15,577	23,888
Finished goods	7,799	15,028	9,647
Work in progress	6,334	5,493	13,645
Total	28,291	36,098	47,180
Inventory turnover days	108	119	131

Our inventories increased from RMB28.3 million as of December 31, 2022 to RMB36.1 million and RMB47.2 million as of December 31, 2023 and 2024, primarily because we prepared more inventories in line with the increasing demand of our approved products.

The following table sets forth the aging analysis of our inventories as of the dates indicated.

	As of December 31,		
	2022	2023	2024
		RMB'000	
Inventories			
Within 1 year	25,287	34,489	39,248
1-2 years	2,925	938	7,079
Over 2 years	79	671	853

Our inventory turnover days, calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that period by cost of sales for the corresponding period and then multiplying by the number of days for the relevant period (365 days for 2022, 2023 and 2024), were 108 days, 119 days and 131 days in 2022, 2023 and 2024, respectively. Our inventory turnover days slightly increased to 119 days in 2023 and 131 days in 2024, primarily because we gradually increased our inventory level to meet the market demand for our inhalation formulation products.

As of April 30, 2025, 46.7%, or RMB22.1 million of our inventories as of December 31, 2024 was subsequently utilized. As of December 31, 2024, our inventories amounted to RMB47.2 million, of which RMB36.8 million had a remaining shelf life of more than 18 months. The relatively long shelf life of our inventories provides us with flexibility in inventory management. Furthermore, a portion of our inventories is utilized to support our ongoing R&D activities. We have conducted an assessment of our inventories and made sufficient provisions where necessary. Based on the above, we do not consider there to be any recoverability issues with respect to our inventories.

Trade Receivables

Our trade receivables represent outstanding amounts due from our distributors. As of December 31, 2022, 2023 and 2024, our trade receivables amounted to RMB8.9 million, RMB2.9 million and RMB27.1 million. The following table summarizes an aging analysis of our trade receivables as of the date indicated and trade receivable turnover days for the periods indicated.

	As of December 31,		
	2022	2023	2024
		RMB'000	
Within 1 year	8,937	2,870	27,130
Trade receivables turnover days	5	4	9

We normally require our distributors to make full payment before shipment, except for certain distributors that we consider crucial to our business, to whom we normally grant a credit term of 60 to 90 days. As such, our trade receivables only represented a insignificant portion of our revenue. As of December 31, 2022, 2023 and 2024, our trade receivables only represented 2.6%, 0.5% and 4.5% of our revenue in 2022, 2023 and 2024.

In 2022, 2023 and 2024, our trade receivable turnover days, calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables in that year or period by revenue for the corresponding year and then multiplying by number of days for the relevant period (365 days for 2022, 2023 and 2024), amounted to 5 days, 4 days and 9 days, reflecting our stringent control on the collection of our trade receivables.

As of April 30, 2025, 100.0%, or RMB27.1 million of our trade receivables as of December 31, 2024 had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments to suppliers; (ii) deposits and other receivable; (iii) VAT recoverable; (iv) impairment allowance and (v) others, primarily including [**REDACTED**] expenses we paid for previous [**REDACTED**] attempts and the [**REDACTED**]. The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		
	2022	2023	2024
		RMB'000	
Prepayments	14,065	18,645	22,164
Deposits and other receivables	5,561	5,500	6,102
VAT recoverable	–	1,900	3,382
Others	2,714	11,803	5,145
Impairment allowance[(1)]	(1,466)	(2,397)	(2,006)
Total	20,874	35,451	34,787

Note:

(1) Our impairment allowance primarily represent allowance provided for other receivables.

Our prepayments, other receivables and other assets increased to RMB35.5 million as of December 31, 2023, primarily due to an increase of RMB9.1 million in others, as we incurred more [**REDACTED**] expenses in 2023 in relation to our previous [**REDACTED**] attempts, and an increase of RMB4.6 million of prepayments to suppliers, which is generally in line with our business growth. Our prepayments, other receivables and other assets remained relatively stable at RMB34.8 million as of December 31, 2024.

As of April 30, 2025, 15.2%, or RMB5.3 million of our prepayments, other receivables and other assets as of December 31, 2024 had been subsequently settled.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Our financial assets at FVTPL mainly represent structured deposits issued by reputable commercial banks in the PRC. The financial products either have a maturity date within approximately six months or are redeemable on demand. The expected interest rates for such financial products based on their respective contracts with range from 1.05% to 4.92% per annum. The fair value of financial assets at FVTPL as of a specific date is the unredeemed principal amount that we have invested to purchase these financial products plus our expected returns with reference to the expected interest rates as of the same date. Our financial assets at FVTPL increased from RMB236.4 million as of December 31, 2022 to RMB330.8 million as of December 31, 2023, primarily because we purchased new structured deposits to better utilize our idle cash. As of December 31, 2024, our financial assets at FVTPL decreased to RMB266.1 million, primarily because we redeemed certain structured deposits to support our business operations.

We believe that we can make better use of our cash by purchasing structured deposit products to enhance our income without interfering with our business operations or capital expenditures. Investment decisions are made based on our estimated capital requirements and our annual budget. We also take into account the duration, expected returns and risks of the financial products. To monitor and control the investment risks associated with our financial assets at FVTPL portfolio, we have adopted a comprehensive set of internal policies and procedures to manage our investment in financial assets at FVTPL. Our investment strategies mainly include (i) we minimize financial risks by matching the maturities of the portfolio with anticipated operating cash needs, while aiming to generate reasonable investment returns for the benefits of our shareholders; (ii) investment in high-risk products is strictly prohibited; (iii) the proposed investment must not interfere with our business operations or capital expenditures; and (iv) the financial products we invest in should guarantee returns and should be issued by a reputable financial institution. We generally limit our purchases to low-risk and short-term products which are redeemable on demand from reputable commercial banks. Investment proposals are subject to review and approval by our general manager, and approval of the Board or general meetings of shareholders if the investment amounts exceed thresholds specified in our investment policy.

After [**REDACTED**], we intend to continue our investments in the financial assets at FVTPL strictly in accordance with our internal policies and measures and the requirements under Chapter 14 of the Listing Rules.

Restricted Cash and Time Deposits

Our restricted cash and time deposits consist primarily of time deposits and other temporarily restricted cash that are used to secure our bank acceptance bill relating to payments we made in relation to the construction of new manufacturing facilities. Our restricted cash and time deposits amounted to RMB114.9 million, RMB19.2 million and RMB5.1 million as of December 31, 2022, 2023 and 2024, respectively.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of cash and bank balances time deposits and restricted cash. Most of our cash and cash equivalents are denominated in Renminbi, while a portion is denominated in U.S. dollars or other currencies. Our cash and cash equivalents amounted to RMB74.8 million, RMB70.6 million and RMB81.9 million as of December 31, 2022, 2023 and 2024, respectively. Our cash and cash equivalents decreased from RMB74.8 million as of December 31, 2022 to RMB70.6 million as of December 31, 2023, primarily because we used our cash for the expansion of our manufacturing facilities. As of December 31, 2024, our cash and cash equivalents increased to RMB81.9 million, primarily due to net cash flows from operating activities, which aligned with the growth of our business operations.

Trade and Bills Payables

Our trade and bills payables primarily represent payments due to our suppliers. The following table sets forth an aging analysis of trade and bills payables based on the invoice dates as of the dates indicated and trade and bills payables turnover days for the periods indicated.

	As of December 31,		
	2022	2023	2024
		RMB'000	
Within 1 year	12,480	26,132	19,576
Over 1 year	637	1,074	1,011
Total	13,117	27,206	20,587
Trade and bills payables turnover days	60	74	75

Our trade and bills payables amounted to RMB13.1 million, RMB27.2 million and RMB20.6 million as of December 31, 2022, 2023 and 2024, respectively. Our trade and bills payables increased from RMB13.1 million as of December 31, 2022 to RMB27.2 million as of December 31, 2023, primarily attributable to the increase in our procurement from suppliers, which was in line with our business growth. As of December 31, 2024, our trade and bills payables decreased to RMB20.6 million, primarily as a result of reduced clinical-related expenditures following the completion of certain R&D trials in the prior year.

Our trade and bills payable turnover days, which are calculated by using the average of the opening and closing trade payable balances for the period, divided by cost of sales for the relevant period, multiplied by the number of days for the relevant period (365 days for 2022, 2023 and 2024), amounted to 60 days, 74 days and 75 days in 2022, 2023 and 2024, respectively. The increase of our trade and bills payable turnover days from 60 days in 2022 to 74 days in 2023, and further to 75 days in 2024 was primarily because we have been able to negotiate longer credit term with our suppliers.

As of April 30, 2025, 80.8%, or RMB16.6 million of our trade and bills payables as of December 31, 2024 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payables for purchase of property, plant and equipment in relation to the construction of our facilities; (ii) service fee payables to our third party promoters; (iii) payroll and welfare payable to our employees; (iv) contract liability, representing the prepayments we received from our distributors; (v) other tax payable; and (vi) others. The following table sets forth the details of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2022	2023	2024
		RMB'000	
Payables for purchase of property, plant and equipment	16,714	20,889	50,711
Service fee payables	33,943	42,298	85,130
Payroll and welfare payable	23,804	30,392	31,819
Contract liability	21,795	35,354	6,459
Other tax payable	5,830	2,411	4,120
Others	20,722	10,202	25,883
Total	122,808	141,546	204,122

Our other payables and accruals increased from RMB122.8 million as of December 31, 2022 to RMB141.5 million as of December 31, 2023, primarily due to an increase of RMB13.6 million in contract liabilities, which was generally in line with our business growth; and an increase of RMB8.4 million in service fee payables as we incurred higher service fees payable to our third-party promoters.

Our other payables and accruals increased from RMB141.5 million as of December 31, 2023 to RMB204.1 million as of December 31, 2024, primarily due to an increase of RMB29.8 million in payables for purchase of property, plant and equipment, as well as an increase of RMB42.8 million in service fee payables. Such increase was partially offset by a decrease of RMB28.9 million in contract liability. The decrease in contract liability, which represents prepayments received from our distributors, was mainly due to a change in our sales and settlement arrangements. As our business relationships with major distributors continued to strengthen and our products achieved wider market acceptance, we shifted from a prepayment-based model to shorter settlement cycles and, in certain cases, granted credit terms to selected distributors. As a result, the amount of prepayments received from distributors decreased, despite higher sales generated from distributors during the year.

As of April 30, 2025, 50.9%, or RMB103.9 million of our other payables and accruals as of December 31, 2024 had been subsequently settled.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund the construction of our manufacturing facilities, research, development and manufacturing of our products, as well as other working capital needs. Historically, we have financed our operations and other capital requirements primarily through cash generated from our operations, bank borrowings and pre-[**REDACTED**] investments.

Our anticipated cash needs primarily include costs associated with the R&D, manufacturing and commercialization of our products and our daily business operations. We expect to fund our future working capital and other cash requirements with cash generated from our operations, the net [**REDACTED**] from [**REDACTED**] and, when necessary, bank and other borrowings. As of April 30, 2025, the latest practicable date for determining our indebtedness, we had capital resources of RMB380.1 million, consisting of cash and cash equivalents and financial assets through FVTPL. Taking into account our internal resources, our cash flow from operations and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors confirm 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.

Net Current Assets

The following table sets forth a summary of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of April 30,
	2022	2023	2024	2025
	RMB'000			
				(Unaudited)
CURRENT ASSETS				
Inventories	28,291	36,098	47,180	38,750
Trade receivables	8,937	2,870	27,130	62,052
Prepayments, other receivables and other assets	20,874	35,451	34,787	31,998
Financial assets at fair value through profit or loss	236,389	330,847	266,063	230,263
Restricted cash and time deposits	114,935	19,165	5,119	7,881
Cash and cash equivalents	74,838	70,612	81,937	46,679
Total current assets	484,264	495,043	462,216	417,623
CURRENT LIABILITIES				
Trade and bills payables	13,117	27,206	20,587	12,220
Other payables and accruals	122,808	141,546	204,122	152,413
Interest-bearing borrowings	–	816	18,466	11,020
Lease liabilities	1,264	1,897	2,433	1,791
Total current liabilities	137,189	171,465	245,608	177,444
NET CURRENT ASSETS	347,075	323,578	216,608	240,179

Our net current assets decreased from RMB347.1 million as of December 31, 2022 to RMB323.6 million as of December 31, 2023, primarily due to an increase of RMB34.3 million in our current liabilities, which was primarily attributable to an increase of RMB18.7 million in other payables and accruals and RMB14.1 million in trade and bills payables, which is generally in line with our business growth. The increase of our current liabilities was partially offset by an increase of RMB10.8 million in current assets, primarily reflecting an increase of RMB14.6 million in our prepayments, other receivables and other assets, which was primarily relating to our services fees with the third-party promoters and previous [**REDACTED**] expenses.

Our net current assets decreased from RMB323.6 million as of December 31, 2023 to RMB216.6 million as of December 31, 2024, primarily due to an increase of RMB74.1 million in our current liabilities, which was primarily attributable to an increase of RMB62.6 million in other payables and accruals and RMB17.7 million in interest-bearing borrowings, which is generally in line with our business growth. Such decrease was also due to a decrease of RMB32.8 million in our current assets, which was primarily attributable to a decrease of RMB64.8 million in financial assets at fair value through profit or loss, primarily because we redeemed certain structured deposits to support our business operations.

Our net current assets increased from RMB216.6 million as of December 31, 2024 to RMB240.2 million as of April 30, 2025, primarily because we settled service fees with our third-party promoters and gradually ceased to use third-party promoters for the sales and marketing of CF017 in 2025, partially offset by the increase in our trade receivables, as we granted credit terms to a larger number of distributors since 2025.

Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

	For the year ended December 31,		
	2022	2023	2024
		RMB'000	
(Loss)/profit before tax	(70,615)	22,443	19,184
Adjustment for cash flows from operating activities before movement of working capital[(1)]	41,436	63,705	65,384
Changes in working capital[(2)]	74,646	30,144	11,891
Net cash flows from/(used in) operating activities	45,467	116,292	96,459
Net cash flows from/(used in) investing activities	(151,422)	(127,652)	(113,437)
Net cash flows from/(used in) financing activities	(5,409)	7,875	28,690
Net increase/(decrease) in cash and cash equivalents	(111,364)	(3,485)	11,712
Cash and cash equivalents at beginning of the year	183,285	74,838	70,612
Effect of foreign exchange differences, net	2,917	(741)	(387)
Cash and cash equivalents at the end of the year	74,838	70,612	81,937

Notes:

(1) Adjustment for cash flows from operating activities before movement of working capital is equal to the sum of finance costs, share of profits and losses from an associate, interest income from bank deposits with an original maturity of more than three months when acquired, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets, gain or loss on disposal of items of property, plant and equipment, gain or loss on early termination of leases, gains on financial assets at fair value through profit or loss, impairment of inventories, impairment losses on financial assets, equity-settled share-based payment expenses, and net foreign exchange differences.

(2) Changes in working capital is equal to the sum of increases in inventories, increase or decrease in trade receivables, increase or decrease in prepayments, other receivables and other assets, changes in restricted cash, increase or decrease in other non-current assets, increase or decrease in trade payables, increase or decrease in other payables and accruals, increase or decrease in deferred income, and changes in other non-current liabilities.

Operating Activities

For the year ended December 31, 2022, we had net cash flows from operating activities of RMB45.5 million, primarily attributable to our loss before tax of RMB70.6 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB30.0 million; (ii) equity-settled share-based payment expenses of RMB15.9 million; and (iii) gains on financial assets at fair value through profit or loss of RMB9.4 million. The amount was further adjusted by positive changes in working capital, which primarily include an increase in other payables and accruals of RMB70.2 million primarily because our promotional fees payable for sales and marketing increased, partially offset by an increase in inventories of RMB8.5 million primarily attributable to our business growth.

For the year ended December 31, 2023, we had net cash flows from operating activities of RMB116.3 million, primarily attributable to our profit before tax of RMB22.4 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB37.8 million; (ii) equity-settled share-based payment expenses of RMB16.7 million; and (iii) amortization of other intangible assets of RMB11.8 million. The amount was further adjusted by positive changes in working capital, which primarily include an increase in other payables and accruals of RMB22.3 million primarily due to our increasing sales and marketing efforts, partially offset by an increase in inventories of RMB10.7 million primarily attributable to our business growth.

For the year ended December 31, 2024, we had net cash flows from operating activities of RMB96.5 million, primarily attributable to our profit before tax of RMB19.2 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB43.1 million; (ii) amortization of other intangible assets of RMB11.9 million; and (iii) gains on financial assets at fair value through profit or loss of RMB8.4 million. The amount was further adjusted by negative changes in working capital, which primarily include an increase in trade receivables of RMB25.5 million, reflecting the growth of our business operations, partially offset by a decrease in prepayments, other receivables and other assets of RMB22.7 million, primarily attributable to the completion of certain prepaid projects and enhanced management of advance payments.

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of the existing commercialized products. In view of our net operating cash outflows for the year ended December 31, 2024, we plan to improve such position by (i) further increase the sales of our approved products; (ii) optimizing our production plan based on our sales volumes to shorten our inventory turnover days in order to keep a stable cash flow; (iii) rapidly advancing our pipeline products towards commercialization to generate revenue

from product sales (iv) adopting comprehensive measures to effectively control our cost and operating expenses; such as leveraging economies of scale to negotiate volume discounts with our suppliers when necessary; and (vi) successfully launching the [**REDACTED**] to obtain the [**REDACTED**].

Investing Activities

For the year ended December 31, 2022, our net cash used in investing activities was RMB151.4 million, primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB1,006.0 million; and (ii) purchase of property, plant and equipment of RMB91.2 million, which was primarily relating to our manufacturing facilities, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB972.0 million.

For the year ended December 31, 2023, our net cash used in investing activities was RMB127.7 million, primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB1,100.0 million; and (ii) purchase of property, plant and equipment of RMB114.6 million, which was relating to our manufacturing facilities, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB1,005.0 million.

For the year ended December 31, 2024, our net cash used in investing activities was RMB113.4 million, primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB1,099.4 million; and (ii) purchase of property, plant and equipment of RMB167.7 million, which was relating to our manufacturing facilities, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB1,164.4 million.

Financing Activities

For the year ended December 31, 2022, our net cash used in financing activities was RMB5.4 million, primarily attributable to lease payments of RMB4.0 million and changes in other current assets of RMB1.4 million, which was primarily relating to the payment of [**REDACTED**] expenses for our previous [**REDACTED**] attempts.

For the year ended December 31, 2023, our net cash from financing activities was RMB7.9 million, primarily attributable to new bank loans of RMB20.0 million that we obtained, partially offset by changes in other current assets of RMB8.6 million, which was primarily relating to the payment of [**REDACTED**] expenses for our previous [**REDACTED**] attempts, and lease payments of RMB3.5 million.

For the year ended December 31, 2024, our net cash from financing activities was RMB28.7 million, primarily attributable to new bank loans of RMB54.8 million that we obtained, partially offset by changes in other current assets of RMB18.8 million and lease payments of RMB4.7 million.

INDEBTEDNESS

As of December 31, 2022, 2023 and 2024, and April 30, 2025 except as disclosed in the table below, we did not have any material indebtedness.

	As of December 31,			As of April 30,
	2022	2023	2024	2025
	(RMB'000)			
				(Unaudited)
Current				
Interest-bearing borrowings	–	816	18,466	11,020
Lease liabilities	1,264	1,897	2,433	1,791
	1,264	2,713	20,899	12,811
Non-current				
Interest-bearing borrowings	–	19,200	55,350	63,491
Lease liabilities	240	–	2,848	2,592
	240	19,200	58,198	66,083
Total	**1,504**	**21,913**	**79,097**	**78,894**

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to our lease of offices and manufacturing facilities. Under IFRS 16, we recognize lease liabilities with respect to all leases, except for short term leases and leases of low value assets. As of December 31, 2022, 2023 and 2024, our current lease liabilities amounted to RMB1.3 million, RMB1.9 million, RMB2.4 million; and our non-current lease liabilities amounted to RMB0.2 million, nil, RMB2.8 million.

Interest-bearing borrowings

As of December 31, 2022, 2023 and 2024, we had current interest-bearing borrowings of nil, RMB0.8 million and RMB18.5 million, respectively; and non-current interest-bearing borrowings of nil, RMB19.2 million and RMB55.4 million. All of our interest-bearing bank borrowings are unsecured. The effective interest rate of our current interest-bearing bank borrowings was 2.80%-2.95% as of December 31, 2023 and 2024, respectively and the effective interest rate of our non-current interest-bearing bank borrowing was 2.76%-2.85% as of December 31, 2023 and 2024, respectively. As of April 30, 2025, we had total banking facilities of RMB589.6 million, of which RMB74.3 million had been utilized and RMB515.3 million remained unutilized. We had not experienced any difficulty in obtaining bank loans or other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

The increase in our total indebtedness from RMB21.9 million as of December 31, 2023 to RMB79.1 million as of December 31, 2024 was primarily due to the increase in the amount of interest-bearing bank borrowings utilized during the year. The newly added borrowings were mainly used to supplement our working capital and further strengthen our cooperation with commercial banks. The key terms of these borrowings include unsecured credit facilities, with no collateral or guarantee required. Since December 31, 2024, there had been no material change in our indebtedness. As of the Latest Practicable Date, we did not have any outstanding loan issued or agreed to be issued, debt securities, debentures, bank overdrafts, liabilities under acceptances or acceptance credits or hire purchase commitments. As of the Latest Practicable Date, we had not guaranteed the indebtedness of any Independent Third Parties. Our Directors confirm that there has not been any material default on our part in the payment of borrowings, or breaches of covenants during the Track Record Period and up to the date of this document.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period primarily refers to additions to our property, plant and equipment during each year comprising the Track Record Period, which primarily included construction in progress, furniture and fixtures, machinery, buildings and motor vehicles. The details of our capital expenditures during the Track Record Period are summarized as follows.

	For the year ended December 31,		
	2022	2023	2024
		RMB'000	
Construction in progress	58,141	141,313	167,022
Furniture and fixtures	616	1,213	3,885
Machinery	–	2,850	3,086
Buildings	–	–	–
Motor vehicles	464	384	3
	59,221	145,760	173,996

CONTINGENT LIABILITIES

Our Directors confirm that there has been no material change in our contingent liabilities up to the date of this document.

CAPITAL COMMITMENTS

Our capital commitments at the end of each year during the Track Record Period primarily related to contracted but not provided commitments for property, plant and equipment relating to the construction of our manufacturing facilities. As of December 31, 2022, 2023 and 2024, our capital commitments amounted to RMB143.1 million, RMB134.4 million and RMB108.7 million, respectively.

MATERIAL RELATED PARTY TRANSACTIONS

We did not have any material related party transactions during the Track Record Period. See note 35 in the Accountants' Report set out in Appendix I of this document for details on our transactions with related parties during the Track Record Period.

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the dates or for the periods indicated.

	As of December 31,		
	2022	2023	2024
Revenue growth	N/A	59.4%	9.2%
Gross profit margin	76.6%	82.2%	80.9%
Net profit/(loss) margin	(14.1%)	5.7%	3.5%
Adjusted net profit/(loss) margin	(9.6%)	8.7%	8.5%
Current ratio[(1)]	3.53	2.89	1.88
Quick ratio[(2)]	3.32	2.68	1.69

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

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date

Revenue Growth, Gross Profit Margin and Net Profit/(Loss) Margin

Our revenue increased by 59.4% from 2022 to 2023 and by 9.2% from 2023 to 2024. In 2022, 2023 and 2024, our gross profit margin was 76.6%, 82.2% and 80.9% and our net profit/(loss) margin was -14.1%, 5.7% and 3.5%, respectively. For details, see "— Results of Operations."

Adjusted Net Profit/(Loss) Margin

In 2022, 2023 and 2024, our adjusted net profit/(loss) margin was -9.6%, 8.7% and 8.5%, respectively. For details, see "— Non-IFRS Measure."

Current Ratio and Quick Ratio

Our current ratio decreased from 3.53 as of December 31, 2022 to 2.89 as of December 31, 2023, and our quick ratio decreased from 3.32 as of December 31, 2022 to 2.68 as of December 31, 2023, primarily because our current liabilities increased significantly, primarily due to an increase in our other payables and accruals of RMB18.7 million, which was primarily relating to the construction of our manufacturing facilities, and our marketing activities.

Our current ratio decreased from 2.89 as of December 31, 2023 to 1.88 as of December 31, 2024, and our quick ratio decreased from 2.68 as of December 31, 2023 to 1.69 as of December 31, 2024, primarily because our current liabilities increased significantly, primarily due to an increase in our other payables and accruals of RMB62.6 million, which was primarily relating to the construction of our manufacturing facilities, and our marketing activities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including foreign currency risk, credit risk and liquidity risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see note 38 in the Accountants' Report set out in Appendix I of this document.

Foreign Currency Risk

We are exposed to transactional currency exposures. Such exposures arise from purchases by operating units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the U.S. dollars and RMB exchange rate, with all other variables held constant, of our loss before tax (due to changes in the fair values of monetary assets and liabilities) and our equity.

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in loss before tax	Increase/(decrease) in equity
	%	*RMB'000*	*RMB'000*
Year ended December 31, 2022			
If RMB weakens against US$ . . .	5	1,560	1,560
If RMB strengthens against US$.	(5)	(1,560)	(1,560)
Year ended December 31, 2023			
If RMB weakens against US$ . . .	5	558	558
If RMB strengthens against US$.	(5)	(558)	(558)
Year ended December 31, 2024			
If RMB weakens against US$ . . .	5	216	216
If RMB strengthens against US$.	(5)	(216)	(216)

Credit Risk

We trade only with recognized and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

The table below shows the credit quality and the maximum exposure to credit risk based on our 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 reporting periods. The amounts presented are gross carrying amounts for financial assets.

December 31, 2022

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other non-current assets	488	–	–	–	488
Trade receivables	–	–	–	9,407	9,407
Financial assets included in other receivables and other assets	4,034	–	2,000	–	6,034
Restricted cash and Time deposits	114,935	–	–	–	114,935
Cash and cash equivalents	74,838	–	–	–	74,838
Total	194,295	–	2,000	9,407	205,702

December 31, 2023

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other non-current assets	388	–	–	–	388
Trade receivables	–	–	–	3,021	3,021
Financial assets included in other receivables and other assets	2,989	–	3,000	–	5,989
Restricted cash and Time deposits	19,165	–	–	–	19,165
Cash and cash equivalents	70,612	–	–	–	70,612
Total	93,154	–	3,000	3,021	99,175

December 31, 2024

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other non-current assets	488	–	–	–	488
Trade receivables	–	–	–	28,567	28,567
Financial assets included in other receivables and other assets	3,145	–	3,000	–	6,145
Restricted cash and Time deposits	5,119	–	–	–	5,119
Cash and cash equivalents	81,937	–	–	–	81,937
Total	90,689	–	3,000	28,567	122,256

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of our financial liabilities as at the end of each of the reporting periods, based on the contractual undiscounted payments, is as follows:

December 31, 2022

	Within 1 year	1 to 2 years	2 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	13,117	–	–	13,117
Financial liabilities included in other payables and accruals	56,189	–	–	56,189
Interest-bearing borrowings	–	–	–	–
Lease liabilities	1,301	244	–	1,545
Total	70,607	244	–	70,851

December 31, 2023

	Within 1 year	1 to 2 years	2 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	27,206	–	–	27,206
Financial liabilities included in other payables and accruals	68,209	–	–	68,209
Interest-bearing borrowings	816	2,126	18,070	21,012
Lease liabilities	2,475	–	–	2,475
Total	98,706	2,126	18,070	118,902

December 31, 2024

	Within 1 year	1 to 2 years	2 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	20,587	–	–	20,587
Financial liabilities included in other payables and accruals	143,865	–	–	143,865
Interest-bearing borrowings	18,466	20,717	37,916	77,099
Lease liabilities	2,472	1,398	1,621	5,491
Total	185,390	22,115	39,537	247,042

DIVIDENDS

As advised by our PRC Legal Advisor, we are not permitted to distribute dividends when there are accumulated losses. After the completion of the [**REDACTED**], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. We do not have any formal dividend policy or pre-determined dividend payout ratio. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders in a general meeting may approve any declaration of dividends. During the Track Record Period, we had not declared or paid any dividends.

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous year; allocations to the statutory reserve equivalent to 10% of our profit after tax; and allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by a Shareholders' meeting.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

DISTRIBUTABLE RESERVES

As of December 31, 2024, we did not have any distributable reserves.

PROPERTY VALUATION

In accordance with the requirement of Rule 5.07 of the Listing Rules, Cushman & Wakefield Limited, an independent property valuer, has valued the relevant property interests as of April 30, 2025. Particulars of our property interests are set out in "Appendix III — Property Valuation Report" to this document.

The table below sets out the reconciliation between the net book value of our property as of December 31, 2024 in the Accountants' Report set out in Appendix I to this document and the market value of our property as of April 30, 2025 in the property valuation report set out in Appendix III to this document.

	(RMB'000)
Net book value of our property as of December 31, 2024	257,265
Capital expenditures	2,166
Depreciation adjustments	(4,086)
Net book value as of April 30, 2025	255,345
Valuation surplus as of April 30, 2025	51,655
Valuation as of April 30, 2025 as set out in "Appendix III — Property Valuation Report" to this document	307,000

[**REDACTED**] EXPENSES

[**REDACTED**] expenses to be borne by us mainly include (i) [**REDACTED**]-related expenses, such as [**REDACTED**] fees and commissions, and (ii) non-[**REDACTED**]-related expenses, comprising professional fees paid to our legal advisors and reporting accountants for their services rendered in relation to the [**REDACTED**], and other miscellaneous fees and expenses. Assuming full payment of the [**REDACTED**] fee, the total [**REDACTED**] expenses to be borne by us are estimated to be approximately RMB[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] range stated in this document, and without exercise of the [**REDACTED**]. Among our total [**REDACTED**] expenses, we expect to pay [**REDACTED**]-related expenses of RMB[**REDACTED**] and non-[**REDACTED**]-related expenses of RMB[**REDACTED**]. During the Track Record Period, we recognized [**REDACTED**] expenses of RMB23.0 million in relation to the [**REDACTED**] as our administrative expenses in 2024. Except for approximately [**REDACTED**] million expected to be charged to our consolidated statements of profit or loss and other comprehensive income/(loss), all of our remaining [**REDACTED**] expenses of [**REDACTED**] million are expected 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.

UNAUDITED [**REDACTED**] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2024 as if the [**REDACTED**] had taken place on that date.

The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the [**REDACTED**] been completed as of December 31, 2024 or at any future date.

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024 and up to the date of this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND PROSPECTS

See "Business — Our Strategies" for a detailed description of our future plans and strategies.

[**REDACTED**]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range stated in this document and that the [**REDACTED**] is not exercised. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the high end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the low end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**].

Assuming an [**REDACTED**] at the mid-point of the indicative [**REDACTED**] range and that the [**REDACTED**] is not exercised, we currently intend to apply these net [**REDACTED**] for the following purposes:

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund the ongoing R&D, clinical development and commercialization of our inhalation formulation product candidates, both domestically and internationally, of which:

    - o [**REDACTED**]%, or HK$[**REDACTED**], is expected to be used to fund the ongoing R&D of our DPI product candidates, [**REDACTED**]% will be allocated to GW008, [**REDACTED**]% to CF037, and [**REDACTED**]% to CF028.

        (1) For GW008,

            a. [**REDACTED**]% for its U.S. development, including [**REDACTED**]% for its PD-bioequivalence study in the U.S., [**REDACTED**]% for its PK-bioequivalence study in the U.S. and [**REDACTED**]% for its registration preparation and manufacturing verification;

            b. [**REDACTED**]% for its China development, including [**REDACTED**]% for its clinical trial in China, and [**REDACTED**]% for its pre-clinical studies and [**REDACTED**]% for its registration preparation and manufacturing verification;

c. [**REDACTED**]% for its Europe development, primarily including [**REDACTED**]% for its PK-bioequivalence study in Europe and [**REDACTED**]% for registration preparation and manufacturing verification;

(2) For CF037,

a. [**REDACTED**]% for its China development;

b. [**REDACTED**]% for its Europe development;

(3) For CF028,

[**REDACTED**]% for its development in Europe, including [**REDACTED**]% for its PK-bioequivalence study and [**REDACTED**]% for its pre-clinical studies and registration preparation of this product in Europe;

- [**REDACTED**]%, or HK$[**REDACTED**], is expected to be used to fund the ongoing R&D of our SMI product candidates, including [**REDACTED**]% will be allocated to GW013 and [**REDACTED**]% to CF050.

(1) For GW013,

a. [**REDACTED**]% for its China development, including [**REDACTED**]% for its clinical trial in China, and [**REDACTED**]% for its device design and pre-clinical R&D activities;

b. [**REDACTED**]% for its U.S. development, including [**REDACTED**]% for its pre-clinical studies and referred listed drug analysis, and [**REDACTED**]% for the registration preparation and manufacturing verification;

(2) For CF050,

a. [**REDACTED**]% for its China development, primarily relating to its clinical trials in China;

b. [**REDACTED**]% for its U.S development, primarily relating to its referred listed drug analysis;

- [**REDACTED**]%, or HK$[**REDACTED**], is expected to be used to fund the ongoing R&D of our nasal spray product candidates, including [**REDACTED**]% will be allocated to CF010/CF052, [**REDACTED**]% to CF024/CF045, and [**REDACTED**]% to CF018.

(1) For CF010//CF052,

a. [**REDACTED**]% for its clinical trial in China;

b. [**REDACTED**]% for its pre-clinical CMC studies and manufacturing verification studies;

(2) For CF024/CF045, primarily relating to its clinical trial in China;

(3) For CF018, primarily relating to its overseas registration;

o [**REDACTED**]%, or HK$[**REDACTED**], is expected to be used to fund the ongoing R&D (primarily including pre-clinical and clinical studies) of our MDI product candidates, including CF006/CF043, GW009/CF064 and GW015/CF049.

We plan to allocate the R&D expenditure for each product candidate as follows: approximately [**REDACTED**]% for staff costs (including salaries and benefits for R&D personnel), [**REDACTED**]% for laboratory expenses (including equipment maintenance and utility costs), [**REDACTED**]% for materials and ingredients, and [**REDACTED**]% for third-party services.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund our pre-clinical R&D across multiple pipeline programs and our technology platforms, including [**REDACTED**]%, or HK$[**REDACTED**], for our novel drugs for PAH and IPF diseases, and [**REDACTED**]%, or HK$[**REDACTED**], for the remaining inhalation formulation product candidates, including those that target the nose-to-brain pathway and siRNA modalities. Regarding the [**REDACTED**]% designated for our novel drugs targeting PAH and IPF diseases, [**REDACTED**]% will be allocated to the regulatory submission and the execution of Phase I and Phase IIa clinical trials for IC004. Furthermore, [**REDACTED**]% will support the regulatory submission and Phase I clinical trials for IC001, while [**REDACTED**]% will be dedicated to the early-stage development and regulatory submission of IC002. Regarding the [**REDACTED**]% allocated for the remaining inhalation formulation product candidates, [**REDACTED**]% will be invested in expanding formulations targeting the nose-to-brain delivery pathway, another [**REDACTED**]% will fund the development of our inhalation platforms, [**REDACTED**]% will support advancements delivery technologies, and the final [**REDACTED**]% will be allocated to the development of pulmonary interventional medical devices.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund the expansion and upgrade of our manufacturing facilities, equipment procurement, and production management systems, including [**REDACTED**]%, or HK$[**REDACTED**], for the construction of phase I of our new production lines, namely (i) the construction of production equipment for each production line; and (ii) the construction of purified

production workshops, and [**REDACTED**]%, or HK$[**REDACTED**], for the construction of phase II of our new production lines, namely (i) the construction of production equipment for each production line; and (ii) the construction of purified production workshops, and [**REDACTED**]%, or [**REDACTED**] for further optimization of production management system to aligned with international standards. These new manufacturing facilities are primarily designed to expand our to other inhalation formulation types that we are developing but are not supported by our current manufacturing facilities, such as SMI and liposome. In addition, in anticipation of our product development progress, our new manufacturing facilities will also expand our manufacturing capacities for nasal sprays and MDIs. The phase I of our new production lines is primarily designed for the SMI and nasal spray products, which is expected to be put into use by the end of 2025. The first part of the phase II of our new production lines is primarily designed for MDI and liposome products, which is expected to be put into use by the end of 2026.

We believe there will be sufficient demand for our product candidates to be manufactured in the new production line, primarily considering that (i) these product candidates are benchmarking approved drugs that have achieved proven sales record in the global market; and (ii) there are only limited approved products of the same kind in China. For details, see "Business" and "Industry Overview."

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

The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the indicative [**REDACTED**] range stated in this document.

If the [**REDACTED**] is exercised in full, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range). In the event that the [**REDACTED**] is exercised in full, we intent to apply the additional net [**REDACTED**] to the above purposes in the proportions stated above.

To the extent that the net [**REDACTED**] from the [**REDACTED**] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions).

We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CF PHARMTECH, INC., CITIC SECURITIES (HONG KONG) LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of CF PharmTech, Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-71], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022, 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 2022, 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-71] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 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 preparation sets out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

No dividends have been paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong
[●]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing as issued by the Hong Kong Institute of Certified Public Accountants ("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

	Notes	Year ended 31 December		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	349,127	556,421	607,752
Cost of revenue		(81,672)	(98,913)	(116,380)
Gross profit		267,455	457,508	491,372
Other income and gains	*6*	16,742	24,437	19,708
Selling and distribution expenses		(135,575)	(222,380)	(235,650)
Administrative expenses		(110,020)	(100,493)	(129,007)
Research and development expenses		(107,227)	(132,788)	(121,849)
Impairment losses on financial assets		(1,386)	(612)	(1,328)
Other expenses		(440)	(2,965)	(2,205)
Finance costs	*7*	(164)	(165)	(1,783)
Share of profits and losses of an associate		–	(99)	(74)
(LOSS)/PROFIT BEFORE TAX	*8*	(70,615)	22,443	19,184
Income tax credit	*11*	21,216	9,283	1,904
(LOSS)/PROFIT FOR THE YEAR		(49,399)	31,726	21,088
Attributable to:				
Owners of the parent		(49,399)	31,726	21,088
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (expressed in RMB per share)	*13*	(0.13)	0.09	0.06

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	(49,399)	31,726	21,088
OTHER COMPREHENSIVE INCOME/(LOSS)	415	(587)	(294)
Exchange differences on translation of foreign operations	415	(587)	(294)
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR	(48,984)	31,139	20,794
Attributable to:			
Owners of the parent	(48,984)	31,139	20,794

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	299,390	402,060	531,132
Right-of-use assets	*15(a)*	29,071	28,388	31,165
Other Intangible assets	*16*	75,513	94,934	121,952
Investments in associates	*17*	–	1,901	1,827
Deferred tax assets	*27*	83,685	92,968	94,873
Other non-current assets	*18*	43,295	19,851	15,861
Total non-current assets		530,954	640,102	796,810
CURRENT ASSETS				
Inventories	*19*	28,291	36,098	47,180
Trade receivables	*20*	8,937	2,870	27,130
Prepayments, other receivables and other assets	*21*	20,874	35,451	34,787
Financial assets at fair value through profit or loss	*22*	236,389	330,847	266,063
Restricted cash and time deposits	*23*	114,935	19,165	5,119
Cash and cash equivalents	*23*	74,838	70,612	81,937
Total current assets		484,264	495,043	462,216
CURRENT LIABILITIES				
Trade and bills payables	*24*	13,117	27,206	20,587
Other payables and accruals	*25*	122,808	141,546	204,122
Interest-bearing borrowings	*26*	–	816	18,466
Lease liabilities	*15(b)*	1,264	1,897	2,433
Total current liabilities		137,189	171,465	245,608
NET CURRENT ASSETS		347,075	323,578	216,608
TOTAL ASSETS LESS CURRENT LIABILITIES		878,029	963,680	1,013,418

	Notes	As at 31 December		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing borrowings	*26*	–	19,200	55,350
Lease liabilities	*15(b)*	240	–	2,848
Deferred income	*28*	863	19,457	15,938
Other non-current liabilities	*29*	15,000	15,000	–
Total non-current liabilities		16,103	53,657	74,136
Net assets		861,926	910,023	939,282
EQUITY				
Equity attributable to owners of the parent				
Share capital	*30*	370,780	370,780	370,780
Reserves	*31*	491,146	539,243	568,502
Total equity		861,926	910,023	939,282

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to ordinary equity holders of the parent					
	Share capital	Capital reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	370,780	1,034,807	297,735	(253)	(808,312)	894,757
Loss for the year	–	–	–	–	(49,399)	(49,399)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	–	–	–	415	–	415
Total comprehensive loss for the year	–	–	–	415	(49,399)	(48,984)
Share-based payments	–	–	16,153	–	–	16,153
At 31 December 2022	370,780	1,034,807	313,888	162	(857,711)	861,926

Year ended 31 December 2023

	Attributable to ordinary equity holders of the parent					
	Share capital	Capital reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	370,780	1,034,807	313,888	162	(857,711)	861,926
Profit for the year	–	–	–	–	31,726	31,726
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	–	–	–	(587)	–	(587)
Total comprehensive income for the year	–	–	–	(587)	31,726	31,139
Share-based payments	–	–	16,958	–	–	16,958
At 31 December 2023	370,780	1,034,807	330,846	(425)	(825,985)	910,023

Year ended 31 December 2024

	Attributable to ordinary equity holders of the parent					
	Share capital	**Capital reserve***	**Share-based payment reserve***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	370,780	1,034,807	330,846	(425)	(825,985)	910,023
Profit for the year	–	–	–	–	21,088	21,088
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	–	–	–	(294)	–	(294)
Total comprehensive income for the year	–	–	–	(294)	21,088	20,794
Share-based payments	–	–	8,465	–	–	8,465
At 31 December 2024	370,780	1,034,807	339,311	(719)	(804,897)	939,282

* These reserve accounts comprise the consolidated reserves of RMB491,146,000, RMB539,243,000 and RMB568,502,000 in the consolidated statements of financial position as at 31 December 2022, 2023 and 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax		(70,615)	22,443	19,184
Adjustments for:				
Finance costs	*7*	164	165	1,783
Share of profits and losses of an associate		–	99	74
Interest income from bank deposits with original maturity of more than three months when acquired	*6*	(3,919)	(2,078)	–
Depreciation of property, plant and equipment	*8*	29,964	37,784	43,117
Depreciation of right-of-use assets	*15(a)*	3,954	4,590	5,160
Amortisation of other intangible assets	*16*	4,976	11,781	11,915
Losses on disposal of items of property, plant and equipment	*14*	806	385	626
Gains on early termination of leases		–	(28)	(38)
Gains on financial assets at fair value through profit or loss	*6*	(9,379)	(9,291)	(8,381)
Impairment of inventories		66	2,852	1,886
Impairment losses on financial assets		1,386	612	1,328
Equity-settled share-based payment expenses	*32*	15,920	16,680	7,823
Foreign exchange differences, net		(2,502)	154	91
		(29,179)	86,148	84,568
Increase in inventories		(8,509)	(10,660)	(12,968)
(Increase)/Decrease in trade receivables		(8,261)	6,386	(25,545)
Decrease/(Increase) in prepayments, other receivables and other assets		34,258	(6,752)	22,653
Decrease in other non-current assets		134	100	–
(Decrease)/Increase in trade payables		(5,970)	180	7,428
Increase in other payables and accruals		70,215	22,296	38,842
(Decrease)/Increase in deferred income		(421)	18,594	(3,519)
Changes in other non-current liabilities		(6,800)	–	(15,000)
Cash generated from operations		45,467	116,292	96,459
Net cash flows generated from operating activities		45,467	116,292	96,459

	Notes	Year ended 31 December		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment		(91,186)	(114,639)	(167,663)
Purchase of and prepayments for right-of-use assets – land use right		(13,675)	–	–
Purchase of other intangible assets		(15,737)	(23,695)	(32,985)
Purchase of financial assets at fair value through profit or loss		(1,006,000)	(1,100,000)	(1,099,420)
Proceeds from disposal of financial assets at fair value through profit or loss		972,000	1,005,000	1,164,420
Gain on financial assets at fair value through profit or loss		8,431	9,834	8,165
Withdrawal of bank deposits with original maturity of more than three months when acquired		–	111,757	–
Changes in restricted cash		(5,255)	(13,909)	14,046
Capital injection in an associate		–	(2,000)	–
Net cash flows used in investing activities		(151,422)	(127,652)	(113,437)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		–	20,000	54,800
Repayment of bank loans		–	–	(1,048)
Interest paid for interest-bearing borrowings		–	–	(1,519)
Principal and interest elements of lease payments		(4,006)	(3,548)	(4,731)
Changes in prepayments, other receivables and other assets		(1,403)	(8,577)	(18,812)
Net cash flows (used in)/from financing activities		(5,409)	7,875	28,690
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(111,364)	(3,485)	11,712
Cash and cash equivalents at beginning of year		183,285	74,838	70,612
Effect of foreign exchange differences, net		2,917	(741)	(387)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*23*	74,838	70,612	81,937

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	247,658	333,329	437,563
Right-of-use assets		19,418	19,236	20,639
Other intangible assets	*16*	58,207	65,969	91,500
Investments in subsidiaries	*1*	334,351	396,243	432,760
Investments in associates	*17*	–	1,901	1,827
Deferred tax assets	*27*	73,435	77,449	74,688
Other non-current assets		43,217	13,584	14,703
Total non-current assets		776,286	907,711	1,073,680
CURRENT ASSETS				
Inventories	*19*	25,310	30,136	42,586
Trade receivables		8,438	2,655	33,763
Prepayments, other receivables and other assets	*21*	25,607	71,336	108,439
Financial assets at fair value through profit or loss	*22*	236,389	330,847	266,063
Restricted cash and time deposits	*23*	114,935	12,242	2,392
Cash and cash equivalents	*23*	49,149	55,605	71,327
Total current assets		459,828	502,821	524,570
CURRENT LIABILITIES				
Trade and bills payables	*24*	16,430	21,933	21,743
Other payables and accruals	*25*	119,300	137,624	187,679
Interest-bearing borrowings	*26*	–	816	18,466
Lease liabilities		984	1,678	1,563
Total current liabilities		136,714	162,051	229,451
NET CURRENT ASSETS		323,114	340,770	295,119
TOTAL ASSETS LESS CURRENT LIABILITIES		1,099,400	1,248,481	1,368,799

	Notes	As at 31 December		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing borrowings	*26*	–	19,200	55,350
Lease liabilities		20	–	1,865
Deferred income		863	19,457	15,938
Other non-current liabilities		15,000	15,000	–
Total non-current liabilities		15,883	53,657	73,153
NET ASSETS		1,083,517	1,194,824	1,295,646
EQUITY ATTRIBUTABLE TO OWNERS Of THE PARENT				
Share capital		370,780	370,780	370,780
Reserves		712,737	824,044	924,866
Total equity		1,083,517	1,194,824	1,295,646

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

CF PharmTech, Inc. (the "Company") was incorporated in the People's Republic of China ("PRC") on 24 January 2013 as a limited liability company. On 8 June 2016, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The registered office of the Company is located at No. 16 Hucundang Road, Xiangcheng Economic Development District, Suzhou, Jiangsu, the PRC.

During the Relevant Periods, the Company and its subsidiaries (the "Group") are mainly engaged in the research and development of respiratory drugs and other related medical products.

As at the date of this report, the Company had direct 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 shares/registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
CF PharmTech JiangSu Limited* (江蘇長風藥業有限公司)	*(a)*	PRC/Chinese Mainland 19 April 2011	RMB140,000,000	100%	–	Sales of respiratory products & Research and development
CF PHARM TECH INTERNATIONAL LIMITED	*(b)*	Cayman Islands 20 May 2015	USD50,000	100%	–	Investment financing
CF PharmTech USA, Inc.	*(b)*	The United States 22 June 2015	USD1,500	–	100%	Research and development
CF PharmTech Wuxi Limited* (無錫長風醫藥科技有限公司)	*(b)*	PRC/Chinese Mainland 24 August 2021	RMB10,000,000	100%	–	Research and development
Suzhou CF Health Technology Co,. Ltd.* (蘇州長風健康科技有限公司)	*(b)*	PRC/Chinese Mainland 28 October 2022	RMB10,000,000	100%	–	Retail of consumer goods
Suzhou CF Pharmaceutical Research and Development Co., Ltd.* (蘇州長風藥物研發有限公司)	*(b)*	PRC/Chinese Mainland 9 November 2022	RMB10,000,000	100%	–	Research and development
Suzhou CF Medical Instruments Co., Ltd.* (蘇州長風醫療器械有限公司)	*(b)*	PRC/Chinese Mainland 9 November 2022	RMB10,000,000	100%	–	Research and development
CF PHARMTECH HONG KONG LIMITED	*(b)*	Hong Kong 3 November 2023	HKD100,000	100%	–	Research and development
Suzhou Wusheng Technology Co., Ltd.* (蘇州霧笙科技有限公司)	*(b)*	PRC/Chinese Mainland 8 February 2024	RMB1,000,000	–	100%	Online Platform Operation
CF Suyue Pharmaceutical (Guangzhou) Co., Ltd.* (長風蘇粵藥業(廣州)有限公司)	*(b)*	PRC/Chinese Mainland 23 April 2024	USD5,000,000	–	100%	Research and development

* 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 under PRC Generally Accepted Accounting Principles were audited by Ernst & Young Hua Ming LLP Shanghai Branch, certified public accountants registered in the PRC. No audited financial statements have been prepared for this entity for the years ended 31 December 2022.

(b) As at the date of this report, no audited financial statements have been prepared for these entities since their dates of incorporation as these subsidiaries are not required by the local government to prepare statutory accounts.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared on a going concern basis. The directors of the Company (the "Directors") have considered the Group's sources of liquidity and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("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 at the end of each of the Relevant Periods.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same financial year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's RE components previously recognised in other comprehensive income is reclassified to profit or loss or retained profit, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE 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 these financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28 . .	*Sale or Contribution of Assets between an Investor and its Associate*[2]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Amendments to IFRS 9 and IFRS 7 . . .	*Amendments to Classification and Measurement of Financial Instruments*[3]
Amendments to IFRS 9 and IFRS 7 . . .	*Contracts Referencing Nature-dependent Electricity*[3]
IFRS 18	*Presentation and Disclosure in Financial Statements*[4]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[4]
Annual Improvements to IFRS Accounting Standards – Volume 11 . .	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[3]

1 Effective for annual periods beginning on or after 1 January 2025

2 No mandatory effective date yet determined but available for adoption

3 Effective for annual periods beginning on or after 1 January 2026

4 Effective for annual periods beginning on or after 1 January 2027

The Group is in the process of making an assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. So far, the Group considers that these new and revised IFRS Accounting Standards are unlikely to have a significant impact on the Group's results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognised its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses

resulting from transactions between the Group and its associates is eliminated to the extent of the Group's investments in the associate, except where recognised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in an associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognised any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures certain financial assets and financial liabilities at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information 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 Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of properties, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	5 to 20 years	5%
Machinery	3 to 10 years	5%
Motor vehicles	4 to 5 years	5%
Furniture and fixtures	3 to 5 years	5%
Leasehold improvements	Over the shorter of the lease term and estimated useful lives	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such other intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Acquired computer software is stated at historical cost less amortisation. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and is amortised on a straight-line basis over the useful life of 3 to 10 years.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Deferred development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised 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.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities 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:

Buildings and warehouses	1 to 6 years
Land use rights	30 to 50 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases 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 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 of holding financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables, financial assets included in other receivables and other assets and cash and bank balances.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or 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 and bills payables, other payables and accruals, and interest-bearing borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at 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 the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the financial year of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the financial year 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 liabilities arise 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, associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax assets relating to the deductible temporary differences arise 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, associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year 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 assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each financial year 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 assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of 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 delivery and inspection of the products.

(b) Provision of services

Revenue from the provision of entrusted development services and testing services is recognised when the services are rendered.

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).

Share-based payments

The Group operates share award schemes. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby rendering services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair values at the dates at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB. Each entity in the Group uses RMB as its functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities were translated into the presentation currency of the Company at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Research and development costs

All research expenses are charged to profit or loss as incurred. Expenses incurred on each pipeline to develop new products are capitalised in accordance with the accounting policy for research and development costs in note 2.3. Determining the amounts to be capitalised requires management to make judgements on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Company.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets with advanced payment characteristics, it is necessary to judge whether the fair value of the advanced payment characteristics is minimal.

Government grants

Government grants are recognised when they meet the attached conditions and can be received. Management needs to exercise significant judgement to determine the nature of the government grants and the timing of recognition.

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.

Development costs

Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. Further details are included in note 27 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

Operating segment information

No operating segment information is presented as the Group's revenue and reported results during the Relevant Periods, and the Group's total assets as at the end of each of the Relevant Periods were derived from one single operating segment.

Geographical information

Since approximately all of the Group's non-current assets were located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 Operating Segments.

Information about major customers

The Group has a large number of customers, and no revenue from a single customer accounted for more than 10% of the Group's total revenue during the Relevant Periods.

5. REVENUE

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers:			
Sale of products	345,993	553,231	603,225
Technical service	3,134	3,190	4,527
Total	349,127	556,421	607,752

An analysis of revenue is as follows:

(i) Disaggregated revenue information

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers:			
Sale of products	345,993	553,231	603,225
Technical service	3,134	3,190	4,527
Total	349,127	556,421	607,752

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Timing of revenue recognition			
At a point in time:			
Sale of products	345,993	553,231	603,225
Technical service	3,134	3,190	4,527
Total revenue from contracts with customers	349,127	556,421	607,752

Revenue recognised that was included in contract liabilities at the beginning of the reporting period:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Sale of products	10,693	19,735	33,701
Technical service	837	1,237	857
Total	11,530	20,972	34,558

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery and inspection of products, payment in advance is normally required, except for customers with credit terms, where payment is generally due within 60 days to 90 days from delivery.

Provision of entrusted development services and testing services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at the end of the reporting period are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within one year	44,256	40,973	12,689
After one year	1,233	2,017	816
Total	45,489	42,990	13,505

6. OTHER INCOME AND GAINS

An analysis of other income and gains, net is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government grants	2,998	10,846	10,354
Gain on financial assets at fair value through profit or loss	9,379	9,291	8,381
Interest income from bank deposits with original maturity of more than three months when acquired	3,919	2,078	–
Interest income from cash in bank	369	1,844	608
Others	77	378	365
Total	16,742	24,437	19,708

The government grants mainly represent the financial award the Group received from the local governments for the purpose of compensation for expenses on research and development activities and incentives for attracting talent. There are no contingencies relating to these grants.

7. FINANCE COSTS

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Finance costs			
Interest on lease liabilities	164	149	216
Interest on bank loans	–	16	1,567
Total	164	165	1,783

8. (LOSS)/PROFIT BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Cost of revenue*		14,180	13,653	15,443
Promotion expenses		93,588	165,594	181,698
Employee benefit expenses		125,078	145,899	149,022
Travel expenses		3,339	6,981	7,794
Business entertainment expenses		5,800	8,551	6,686
Office expenses		8,836	7,069	7,492
Utility expenses		14,998	15,630	14,174
Depreciation of property, plant and equipment		29,964	37,784	43,117
Depreciation of right-of-use assets	*15(a)*	3,954	4,590	5,160
Amortisation of other intangible assets	*16*	4,976	11,781	11,915
Testing and technical service fees		45,611	62,665	47,737
Professional services and consultancy fees		25,666	9,042	15,253
[**REDACTED**] expenses		–	–	22,963
Consumption of raw materials		52,300	56,680	63,586
Foreign exchange differences, net		(2,502)	154	91
Impairment losses on trade receivables and other receivables		1,386	612	1,328
Impairment of inventories		66	2,852	1,886
Loss on disposal of items of property, plant and equipment		806	385	626
Interest on lease liabilities	*15(b)*	164	149	216
Fair value gains on financial assets at fair value through profit or loss		(9,379)	(9,291)	(8,381)
Share of profit and loss of an associate		–	99	74

* The amount of cost of revenue stated here excludes those included in the depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets, impairment of inventories, employee benefit expenses, testing and technical service fees, consumption of raw materials, office expenses, travel expenses and utility expenses.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Fees:	315	240	275
Other emoluments:			
Salaries, allowances and benefits in kind	2,799	3,241	3,343
Share-based payment expense	10,101	3,205	3,831
Pension scheme contributions	140	183	210
Subtotal	13,040	6,629	7,384
Total fees and other emoluments	13,355	6,869	7,659

(a) Independent non-executive directors

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Fees:			
Dr. JIN Jian[(a)]	60	60	60
Ms. WANG Lijuan[(b)]	60	60	60
Mr. XU Zheng[(c)]	30	60	45
Mr. WEI Shirong[(d)]	60	60	60
Mr. IP Wang Hoi Cliff[(e)]	105	–	50
Total	315	240	275

(a) Dr. JIN Jian was appointed as an independent director of the Company in September 2020.

(b) Ms. WANG Lijuan was appointed as an independent director of the Company in September 2020.

(c) Mr. XU Zheng was appointed as an independent director of the Company in September 2020 and resigned in December 2021, and reappointed as an independent director of the Company in June 2022 and resigned in September 2024.

(d) Mr. WEI Shirong was appointed as an independent director of the Company in September 2020.

(e) Mr. IP Wang Hoi Cliff was appointed as an independent director of the Company in December 2021 and resigned in June 2022, and was reappointed as an independent director of the Company in September 2024.

(b) Executive directors, non-executive directors and the chief executive

Year ended 31 December 2022

	Fees	Salaries allowances and benefits in kind	Share-based payment expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Dr. LIANG Bill Wenqing[f]	–	671	4,614	54	5,339
Dr. LI LI BOVET[g]	–	671	4,614	–	5,285
Dr. LI Qi[h]	–	993	293	–	1,286
Ms. ZHU Yuyu[i]	–	464	580	86	1,130
Non-executive directors:					
Mr. CHEN Penghui[j]	–	–	–	–	–
Mr. CAI Lei[k]	–	–	–	–	–
Dr. YI Hua[l]	–	–	–	–	–
Total	–	2,799	10,101	140	13,040

Year ended 31 December 2023

	Fees	Salaries allowances and benefits in kind	Share-based payment expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Dr. LIANG Bill Wenqing[f]	–	699	1,224	87	2,010
Dr. LI LI BOVET[g]	–	699	1,224	–	1,923
Dr. LI Qi[h]	–	1,202	266	–	1,468
Ms. ZHU Yuyu[i]	–	641	491	96	1,228
Non-executive directors:					
Mr. CHEN Penghui[j]	–	–	–	–	–
Mr. CAI Lei[k]	–	–	–	–	–
Dr. YI Hua[l]	–	–	–	–	–
Total	–	3,241	3,205	183	6,629

Year ended 31 December 2024

	Fees	Salaries allowances and benefits in kind	Share-based payment expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Dr. LIANG Bill Wenqing[f]	–	732	1,801	104	2,637
Dr. LI LI BOVET[g]	–	718	1,801	2	2,521
Dr. LI Qi[h]	–	1,224	78	–	1,302
Ms. ZHU Yuyu[i]	–	669	151	104	924
Non-executive directors:					
Mr. CHEN Penghui[j]	–	–	–	–	–
Mr. CAI Lei[k]	–	–	–	–	–
Dr. YI Hua[l]	–	–	–	–	–
Total	–	3,343	3,831	210	7,384

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(f) Dr. LIANG Bill Wenqing was appointed as a director of the Company in January 2013 and redesignated as an executive director in September 2024.

(g) Dr. LI LI BOVET was appointed as a director of the Company in January 2013 and redesignated as an executive director in September 2024.

(h) Dr. LI Qi was appointed as a director of the Company in September 2020 and redesignated as an executive director in September 2024.

(i) Ms. ZHU Yuyu was appointed as a director of the Company in September 2020 and redesigned as an executive director in September 2024.

(j) Mr. CHEN Penghui was appointed as a director of the Company in June 2020.

(k) Mr. CAI Lei was appointed as a director of the Company in December 2019.

(l) Dr. YI Hua was appointed as a director of the Company in December 2021.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included 4, 3 and 3 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining 1, 2 and 2 highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,457	2,524	2,514
Share-based payment expenses	564	1,429	669
Pension scheme contributions	91	195	207
Total	2,112	4,148	3,390

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2022	2023	2024
HK$500,001 to HK$1,000,000	–	–	–
HK$1,000,001 to HK$1,500,000	–	–	–
HK$1,500,001 to HK$2,000,000	–	1	2
HK$2,000,001 to HK$2,500,000	1	1	–
HK$2,500,001 to HK$3,000,000	–	–	–
HK$3,000,001 to HK$3,500,000	–	–	–
Total	1	2	2

11. INCOME TAX CREDIT

The Group's principal applicable taxes and tax rates are as follows:

(a) Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the CIT rate of the Group's PRC subsidiaries is 25% unless subject to tax exemption set out below.

Pursuant to Cai Shui [2019] No. 13 "The Announcement of Implementation of the Inclusive Tax Relief Policy of small-scale Minimal Profit Enterprises", [2021] No. 12 "The Announcement on the Implementation of Preferential Income Tax Policies for small-scale Minimal Profit Enterprise and Individual Industrial and Commercial Households" issued by the MOF and the National Tax Bureau, [2022] No. 13 "The Announcement on further implementation of Preferential Income Tax Policies for small-scale Minimal Profit Enterprises" and [2023] No. 6 "The Announcement on Preferential Income Tax Policies for small-scale Minimal Profit Enterprises and Individual Industrial and Commercial Households" issued by the MOF and the National Tax Bureau, for the small-scale Minimal Profit Enterprises with annual taxable income below RMB1,000,000 (RMB1,000,000 included) from 1 January 2021 to 31 December 2022, the taxable income is reduced by 12.5%, and the corporate income tax is paid at the tax rate of 20%; from 1 January 2023 to 31 December 2024, the taxable income is reduced by 25%, and the corporate income tax is paid at the tax rate of 20%. For the small-scale Minimal Profit Enterprises with annual taxable income between RMB1,000,000 and RMB3,000,000, from 1 January 2021 to 31 December 2021, the taxable income is reduced by 50%, and the corporate income tax is paid at the tax rate of 20%; from 1 January 2022 to 31 December 2024, the taxable income is reduced by 25%, and the corporate income tax is paid at the tax rate of 20%.

The Company was accredited as a "High and New Technology Enterprise" in December 2023, and therefore, the Company was entitled to a preferential CIT rate of 15% for the years ended 31 December 2023 and 31 December 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

(b) Pursuant to the sales and regulations of the Cayman Islands, CF PHARM TECH INTERNATIONAL LIMITED is not subject to any income tax in the Cayman Islands.

(c) No provision for the United States income tax has been provided for at a rate of 21% pursuant to the Corporate Income Tax Law of the United States and the respective regulations (the "US Law"), as the Group's entity in the United States has no assessable profits.

(d) Under the Hong Kong tax law, the Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million. No provision for Hong Kong profits tax was made as the subsidiaries did not have any assessable profits arising in or derived from Hong Kong during such periods.

The income tax expense/(credit) of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	–	–	–
Deferred income tax	(21,216)	(9,283)	(1,904)
Tax charge for the year	(21,216)	(9,283)	(1,904)

A reconciliation of the tax expense/(credit) applicable to (loss)/profit before tax at the statutory rate applicable in Mainland China to the tax expense/(credit) at the effective tax rate is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before tax	(70,615)	22,443	19,184
Tax at the statutory tax rate of 25%	(17,654)	5,611	4,796
Effect of differing tax rates in different jurisdictions	2,075	(6,349)	(5,956)
Effect of adjusting income tax for previous periods	(12)	(35,383)	–
Research and development super-deduction	(15,346)	(13,598)	(12,340)
Expenses not deductible for tax	1,700	1,551	927
Effects of changes in tax rates	–	29,374	–
Tax losses and temporary differences for which no deferred income tax assets were recognized	8,021	9,511	10,669
Tax charge for the year at the Group's effective rate	(21,216)	(9,283)	(1,904)

12. DIVIDEND

No dividend has been paid or declared by the Company and its subsidiaries during the Relevant Periods.

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit attributable to ordinary equity holders of the parent, and the weighted average numbers ordinary shares outstanding during the Relevant Periods.

The Company has no potential common stock or diluted securities during the Relevant Periods, so diluted (loss)/earnings per share equals basic (loss)/earnings per share.

(Loss)/Earnings per share	Year ended 31 December		
	2022	2023	2024
(Loss)/Earnings			
(Loss)/Earnings attributable to ordinary equity holders of the parent (RMB'000)	(49,399)	31,726	21,088
Shares			
Weighted average number of ordinary shares outstanding (thousand) during the year used in the basic (loss)/earnings per share calculation	370,780,387	370,780,387	370,780,387
(Loss)/Earnings per share (RMB)	(0.13)	0.09	0.06

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	106,641	7,675	143,643	6,050	1,562	90,017	355,588
Accumulated depreciation	(20,701)	(4,083)	(50,525)	(4,790)	(1,037)	–	(81,136)
Net carrying amount	85,940	3,592	93,118	1,260	525	90,017	274,452
At 1 January 2022, net of accumulated depreciation	85,940	3,592	93,118	1,260	525	90,017	274,452
Additions	–	–	–	616	464	58,141	59,221
Disposals	–	–	(4,306)	–	–	–	(4,306)
Transfers	47,395	–	29,477	–	–	(76,872)	–
Depreciation provided during the year	(6,665)	(1,949)	(20,050)	(1,109)	(204)	–	(29,977)
At 31 December 2022, net of accumulated depreciation	126,670	1,643	98,239	767	785	71,286	299,390
At 31 December 2022							
Cost	154,036	7,675	167,224	6,666	2,026	71,286	408,913
Accumulated depreciation	(27,366)	(6,032)	(68,985)	(5,899)	(1,241)	–	(109,523)
Net carrying amount	126,670	1,643	98,239	767	785	71,286	299,390

	Buildings	Leasehold improvements	Machinery	Furniture and fixtures	Motor vehicles	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	154,036	7,675	167,224	6,666	2,026	71,286	408,913
Accumulated depreciation	(27,366)	(6,032)	(68,985)	(5,899)	(1,241)	–	(109,523)
Net carrying amount	126,670	1,643	98,239	767	785	71,286	299,390
At 1 January 2023, net of accumulated depreciation	126,670	1,643	98,239	767	785	71,286	299,390
Additions	–	–	2,850	1,213	384	141,313	145,760
Disposals	–	–	(384)	(1)	–	–	(385)
Transfers	13,308	6,557	65,416	5,433	–	(94,991)	(4,277)
Depreciation provided during the year	(9,403)	(2,062)	(25,364)	(1,277)	(322)	–	(38,428)
At 31 December 2023, net of accumulated depreciation	130,575	6,138	140,757	6,135	847	117,608	402,060
At 31 December 2023							
Cost	167,344	14,232	233,736	13,301	2,410	117,608	548,631
Accumulated depreciation	(36,769)	(8,094)	(92,979)	(7,166)	(1,563)	–	(146,571)
Net carrying amount	130,575	6,138	140,757	6,135	847	117,608	402,060

	Buildings	Leasehold improvements	Machinery	Furniture and fixtures	Motor vehicles	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	167,344	14,232	233,736	13,301	2,410	117,608	548,631
Accumulated depreciation	(36,769)	(8,094)	(92,979)	(7,166)	(1,563)	–	(146,571)
Net carrying amount	130,575	6,138	140,757	6,135	847	117,608	402,060
At 1 January 2024, net of accumulated depreciation	130,575	6,138	140,757	6,135	847	117,608	402,060
Additions	–	–	3,086	3,885	3	167,022	173,996
Disposals	–	–	(596)	(27)	(3)	–	(626)
Transfers	69,125	3,113	26,398	5,057	–	(103,693)	–
Depreciation provided during the year	(13,296)	(1,999)	(24,904)	(3,795)	(304)	–	(44,298)
At 31 December 2024, net of accumulated depreciation	186,404	7,252	144,741	11,255	543	180,937	531,132
At 31 December 2024							
Cost	236,469	17,345	262,624	22,216	2,410	180,937	722,001
Accumulated depreciation	(50,065)	(10,093)	(117,883)	(10,961)	(1,867)	–	(190,869)
Net carrying amount	186,404	7,252	144,741	11,255	543	180,937	531,132

Company

	Buildings	Leasehold improvements	Machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	55,486	4,295	138,439	5,728	1,313	89,829	295,090
Accumulated depreciation	(19,486)	(1,690)	(46,747)	(4,517)	(801)	–	(73,241)
Net carrying amount	36,000	2,605	91,692	1,211	512	89,829	221,849
At 1 January 2022, net of accumulated depreciation	36,000	2,605	91,692	1,211	512	89,829	221,849
Additions	–	–	–	616	464	55,445	56,525
Disposals	–	–	(4,306)	–	–	–	(4,306)
Transfers	47,395	–	30,149	–	–	(77,544)	–
Depreciation provided during the year	(4,236)	(1,344)	(19,520)	(1,106)	(204)	–	(26,410)
At 31 December 2022, net of accumulated depreciation	79,159	1,261	98,015	721	772	67,730	247,658
At 31 December 2022							
Cost	102,881	4,295	162,692	6,344	1,777	67,730	345,719
Accumulated depreciation	(23,722)	(3,034)	(64,677)	(5,623)	(1,005)	–	(98,061)
Net carrying amount	79,159	1,261	98,015	721	772	67,730	247,658

	Buildings	Leasehold improvements	Machinery	Furniture and fixtures	Motor vehicles	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	102,881	4,295	162,692	6,344	1,777	67,730	345,719
Accumulated depreciation	(23,722)	(3,034)	(64,677)	(5,623)	(1,005)	–	(98,061)
Net carrying amount	79,159	1,261	98,015	721	772	67,730	247,658
At 1 January 2023, net of accumulated depreciation	79,159	1,261	98,015	721	772	67,730	247,658
Additions	–	–	2,816	882	134	120,804	124,636
Disposals	–	–	(384)	(1)	–	–	(385)
Transfers	13,308	31	64,895	462	–	(82,973)	(4,277)
Depreciation provided during the year	(6,973)	(825)	(25,151)	(1,076)	(278)	–	(34,303)
At 31 December 2023, net of accumulated depreciation	85,494	467	140,191	988	628	105,561	333,329
At 31 December 2023							
Cost	116,189	4,326	228,649	7,676	1,911	105,561	464,312
Accumulated depreciation	(30,695)	(3,859)	(88,458)	(6,688)	(1,283)	–	(130,983)
Net carrying amount	85,494	467	140,191	988	628	105,561	333,329

	Buildings	Leasehold improvements	Machinery	Furniture and fixtures	Motor vehicles	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	116,189	4,326	228,649	7,676	1,911	105,561	464,312
Accumulated depreciation	(30,695)	(3,859)	(88,458)	(6,688)	(1,283)	–	(130,983)
Net carrying amount	85,494	467	140,191	988	628	105,561	333,329
At 1 January 2024, net of accumulated depreciation	85,494	467	140,191	988	628	105,561	333,329
Additions	–	–	3,082	3,474	3	135,262	141,821
Disposals	–	–	(596)	(27)	(3)	–	(626)
Transfers	49,901	1,540	25,709	6,063	–	(83,213)	–
Depreciation provided during the year	(9,344)	(306)	(24,646)	(2,420)	(245)	–	(36,961)
At 31 December 2024, net of accumulated depreciation	126,051	1,701	143,740	8,078	383	157,610	437,563
At 31 December 2024							
Cost	166,090	5,866	256,844	17,186	1,911	157,610	605,507
Accumulated depreciation	(40,039)	(4,165)	(113,104)	(9,108)	(1,528)	–	(167,944)
Net carrying amount	126,051	1,701	143,740	8,078	383	157,610	437,563

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group's leases consist of its buildings, warehouses and land use rights. The movements in right-of-use assets and lease liabilities during the Relevant Periods are as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(a) Right-of-use assets			
Carrying amount at the beginning of the year	19,269	29,071	28,388
Additions	13,756	4,120	9,155
Depreciation charge	(3,954)	(4,590)	(5,160)
Termination	–	(213)	(1,218)
Carrying amount at the end of the year	29,071	28,388	31,165
(b) Lease liabilities			
Carrying amount at the beginning of the year	5,271	1,504	1,897
New leases	75	4,033	9,155
Accretion of interest recognised during the year	164	149	216
Termination	–	(241)	(1,256)
Payments	(4,006)	(3,548)	(4,731)
Carrying amount at the end of the year	1,504	1,897	5,281
Analysed into:			
Current portion	1,264	1,897	2,433
Non-current portion	240	–	2,848
Maturity analysis:			
Within 1 year	1,264	1,897	2,433
1 to 2 years	240	–	1,342
2 to 5 years	–	–	1,506
Total	1,504	1,897	5,281

The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	164	149	216
Depreciation charge of right-of-use assets	3,954	4,590	5,160
Expense relating to short term leases	2,682	4,160	2,601
Termination of leases	–	(28)	(38)
Total amount recognised in profit or loss	6,800	8,871	7,939

16. OTHER INTANGIBLE ASSETS

Group

	Software	Patents and licences	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022				
At 1 January 2022:				
Cost	6,901	15,268	44,991	67,160
Accumulated amortisation	(1,563)	(2,022)	–	(3,585)
Net carrying amount	5,338	13,246	44,991	63,575
At 1 January 2022, net of accumulated amortisation	5,338	13,246	44,991	63,575
Additions	812	–	16,102	16,914
Transfers	–	37,727	(37,727)	–
Amortisation during the year	(694)	(4,282)	–	(4,976)
At 31 December 2022, net of accumulated amortisation	5,456	46,691	23,366	75,513
At 31 December 2022:				
Cost	7,713	52,995	23,366	84,074
Accumulated amortisation	(2,257)	(6,304)	–	(8,561)
Net carrying amount	5,456	46,691	23,366	75,513

	Software	Patents and licences	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023				
At 1 January 2023:				
Cost	7,713	52,995	23,366	84,074
Accumulated amortisation	(2,257)	(6,304)	–	(8,561)
Net carrying amount	5,456	46,691	23,366	75,513
At 1 January 2023, net of accumulated amortisation	5,456	46,691	23,366	75,513
Additions	273	–	26,652	26,925
Transfers	4,277	–	–	4,277
Amortisation during the year	(1,199)	(10,582)	–	(11,781)
At 31 December 2023, net of accumulated amortisation	8,807	36,109	50,018	94,934
At 31 December 2023:				
Cost	12,263	52,995	50,018	115,276
Accumulated amortisation	(3,456)	(16,886)	–	(20,342)
Net carrying amount	8,807	36,109	50,018	94,934

	Software	Patents and licences	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024				
At 1 January 2024:				
Cost	12,263	52,995	50,018	115,276
Accumulated amortisation	(3,456)	(16,886)	–	(20,342)
Net carrying amount	8,807	36,109	50,018	94,934
At 1 January 2024, net of accumulated amortisation	8,807	36,109	50,018	94,934
Additions	221	–	38,712	38,933
Transfers	–	–	–	–
Amortisation during the year	(1,341)	(10,574)	–	(11,915)
At 31 December 2024, net of accumulated amortisation	7,687	25,535	88,730	121,952
At 31 December 2024:				
Cost	12,484	52,995	88,730	154,209
Accumulated amortisation	(4,797)	(27,460)	–	(32,257)
Net carrying amount	7,687	25,535	88,730	121,952

Company

	Software	Patents and licences	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022				
At 1 January 2022:				
Cost	6,897	15,268	34,406	56,571
Accumulated amortisation	(1,561)	(2,022)	–	(3,583)
Net carrying amount	5,336	13,246	34,406	52,988
At 1 January 2022, net of accumulated amortisation	5,336	13,246	34,406	52,988
Additions	812	–	9,382	10,194
Transfers	–	37,727	(37,727)	–
Amortisation during the year	(693)	(4,282)	–	(4,975)
At 31 December 2022, net of accumulated amortisation	5,455	46,691	6,061	58,207
At 31 December 2022:				
Cost	7,709	52,995	6,061	66,765
Accumulated amortisation	(2,254)	(6,304)	–	(8,558)
Net carrying amount	5,455	46,691	6,061	58,207

	Software	Patents and licences	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023				
At 1 January 2023:				
Cost	7,709	52,995	6,061	66,765
Accumulated amortisation	(2,254)	(6,304)	–	(8,558)
Net carrying amount	5,455	46,691	6,061	58,207
At 1 January 2023, net of accumulated amortisation	5,455	46,691	6,061	58,207
Additions	255	–	15,008	15,263
Transfers	4,277	–	–	4,277
Amortisation during the year	(1,196)	(10,582)	–	(11,778)
At 31 December 2023, net of accumulated amortisation	8,791	36,109	21,069	65,969
At 31 December 2023:				
Cost	12,241	52,995	21,069	86,305
Accumulated amortisation	(3,450)	(16,886)	–	(20,336)
Net carrying amount	8,791	36,109	21,069	65,969

	Software	Patents and licences	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024				
At 1 January 2024:				
Cost	12,241	52,995	21,069	86,305
Accumulated amortisation	(3,450)	(16,886)	–	(20,336)
Net carrying amount	8,791	36,109	21,069	65,969
At 1 January 2024, net of accumulated amortisation	8,791	36,109	21,069	65,969
Additions	221	–	37,218	37,439
Transfers	–	–	–	–
Amortisation during the year	(1,334)	(10,574)	–	(11,908)
At 31 December 2024, net of accumulated amortisation	7,678	25,535	58,287	91,500
At 31 December 2024:				
Cost	12,462	52,995	58,287	123,744
Accumulated amortisation	(4,784)	(27,460)	–	(32,244)
Net carrying amount	7,678	25,535	58,287	91,500

Impairment testing of deferred development costs

The management of the Group performed annual impairment testing during the Relevant Periods for deferred development costs. For impairment testing, deferred development costs are allocated to the cash-generating units ("CGUs"), which are supposed to be able to generate cash flows independently from those of the other products.

Impairment review on the deferred development costs of the Group is conducted by the management of the Group by engaging an independent qualified professional valuer, Jiangsu Zhongqihua Zhongtian Asset Appraisal Co., Ltd. ("Appraisal Expert"), to estimate the recoverable amount of the CGUs at the end of each year. For the purpose

of impairment review, the recoverable amount of the CGUs are determined based on the fair value less costs of disposal. The fair value of the deferred development costs was determined using the relief from royalty method, taking into account the nature of the assets, using cash flow projections and the royalty rates. The Group recognises development costs as follows:

CGUs/products	Beginning of capitalisation	Transferred into patents and licences
GW001	February 2021	N/A, has not put into commercial production
CF006/CF043	December 2022	N/A, has not put into commercial production
CF024	August 2024	N/A, has not put into commercial production

The management use ten years commencing from the date when the products are put into commercial production as the period for cash flow projections. The management considers the length of the forecast period is appropriate and consistent with industry practice.

With the assistance of the Appraisal Expert, the management determined the recoverable amount of the above CGUs based on the key assumptions, the carrying amounts of the three products during the Relevant Periods are as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
GW001	17,305	28,950	30,443
CF006/CF043	6,061	21,068	38,379
CF024	N/A	N/A	19,908
Total	**23,366**	**50,018**	**88,730**

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of development costs:

(a) The annual revenue growth rates

	As at 31 December		
	2022	2023	2024
GW001	9.98%-105.97%	17.01%-74.67%	16.64%-74.67%
CF006/CF043	10.00%-100.00%	15.00%-100.00%	15.00%-100.00%
CF024	N/A	N/A	2.01%-89.48%

The annual revenue growth rates for the forecast period were determined by the management based on their expectation for market and product development.

(b) The royalty rates

	As at 31 December		
	2022	2023	2024
GW001	10%	12%	13%
CF006/CF043	14%	11%	11%
CF024	N/A	N/A	9%

During the Relevant Periods, the royalty rates are determined according to the royalty rates of the industry and the adjustment coefficient.

(c) The before-tax discount rates

	As at 31 December		
	2022	2023	2024
GW001	20.3%	19.7%	20.1%
CF006/CF043	21.3%	18.6%	17.5%
CF024	N/A	N/A	17.9%

The before-tax discount rates used reflect specific risks relating to the CGUs.

Details of the headroom measured by excess of the recoverable amounts over the carrying amounts of the CGUs as of 31 December 2022, 2023 and 2024 are set out as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
GW001	9,695	6,050	7,557
CF006/CF043	2,939	5,932	12,621
CF024	N/A	N/A	11,092

(d) Sensitivity analysis

The Group performed the sensitivity analysis based on the assumption that annual revenue growth rates, before-tax discount rates and royalty rates have been changed. The following table sets out the impact of variations in each of the key assumptions. Had these estimated key assumptions been changed as follows, the headroom would have increased/(decreased) as follows:

GW001

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
The annual revenue growth rates increased by 5%	4,550	5,910	6,780
The annual revenue growth rates decreased by 5%	(3,530)	(5,490)	(5,360)
The royalty rates increased by 1%	3,160	3,920	4,410
The royalty rates decreased by 1%	(2,620)	(4,220)	(3,710)
The before-tax discount rates increased by 1%	(1,440)	(3,300)	(2,350)
The before-tax discount rates decreased by 1%	2,040	3,220	3,260

CF006/CF043

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
The annual revenue growth rates increased by 5%	4,510	8,039	8,873
The annual revenue growth rates decreased by 5%	(4,590)	(4,901)	(8,437)
The royalty rates increased by 1%	2,240	5,889	5,633
The royalty rates decreased by 1%	(3,450)	(3,821)	(6,267)
The before-tax discount rates increased by 1%	(2,210)	(1,641)	(3,127)
The before-tax discount rates decreased by 1%	2,160	4,809	2,513

CF024	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
The annual revenue growth rates increased by 5%	N/A	N/A	5,996
The annual revenue growth rates decreased by 5%	N/A	N/A	(4,814)
The royalty rates increased by 1%	N/A	N/A	3,826
The royalty rates decreased by 1%	N/A	N/A	(4,814)
The before-tax discount rates increased by 1%	N/A	N/A	(1,624)
The before-tax discount rates decreased by 1%	N/A	N/A	1,736

For the years ended 31 December 2022, 2023 and 2024, the management considered no reasonably possible change in the key assumptions mentioned above would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

The management determined that there was no impairment of its CGUs as of 31 December 2022, 2023 and 2024.

17. INVESTMENT IN AN ASSOCIATE

Group and Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	–	–	1,901
Additions	–	2,000	–
Share of profits and losses	–	(99)	(74)
At the end of the year	–	1,901	1,827

Particulars of the associate as at the end of the reporting period are as follows:

Name	Place of incorporation	Registered share capital	Percentage of ownership interest attributable to the Company	Principal activity
Guangzhou Xingzhe Medical New Technology Co., Ltd* (廣州行者醫學新科技有限公司)	Guangzhou	RMB1,136,000	12	Research and development

* The English name of this company represents the best effort made by the management of the Company to directly translate the Chinese name as they does not register any official English name.

In April 2023, the Group acquired a 12% equity interest in Guangzhou Xingzhe Medical New Technology Co., Ltd ('Guangzhou Xingzhe'). As the Group can appoint one director of Guangzhou Xingzhe under the articles of association, the Group has the power to participate in the financial and operating policy decisions of Guangzhou Xingzhe and therefore can exercise significant influence over Guangzhou Xingzhe.

As at 31 December 2023 and 31 December 2024, the carrying amount of Group's investment in an associate is RMB1,901,000 and RMB1,827,000, which is not considered as material to the Historical Financial Information of the Group. The investment in associates is accounted for using the equity method.

18. OTHER NON-CURRENT ASSETS

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Prepayments of long-term assets	43,271	19,851	15,806
Personal loans	488	388	488
Impairment allowance	(464)	(388)	(433)
Total	43,295	19,851	15,861

19. INVENTORIES

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	14,158	15,577	23,888
Work in progress	6,334	5,493	13,645
Finished goods	7,799	15,028	9,647
Total	28,291	36,098	47,180

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	14,158	15,577	23,380
Work in progress	6,334	5,493	13,645
Finished goods	4,818	9,066	5,561
Total	25,310	30,136	42,586

20. TRADE RECEIVABLES

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	9,407	3,021	28,567
Impairment	(470)	(151)	(1,437)
Trade receivables, net	8,937	2,870	27,130

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		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 Year	8,937	2,870	27,130

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	57	470	151
Impairment losses, net	413	(319)	1,286
At end of year	470	151	1,437

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days invoiced for groupings of various customer segments with similar loss patterns (by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 Year			
Expected credit loss rate	5.00%	5.00%	5.00%
Gross carrying amount	9,407	3,021	28,567
Expected credit losses	(470)	(151)	(1,437)

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

		As at 31 December		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Prepayments		14,065	18,645	22,164
Deposits and other receivables	*(a)*	5,561	5,500	6,102
Value-Added Tax ("VAT") recoverable		–	1,900	3,382
Others		2,714	11,803	5,145
Impairment allowance		(1,466)	(2,397)	(2,006)
Total		20,874	35,451	34,787

(a) Deposits and other receivables are unsecured, non-interest-bearing and repayable on demand.

Except for certain loss allowance provided for other receivables, 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 calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for other receivables and deposits was minimal.

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	6,979	9,021	12,615
Deposits and other receivables	1,678	2,087	2,252
Value-Added Tax ("VAT") recoverable	–	–	–
Due from subsidiaries	14,832	49,248	89,206
Others	2,712	11,804	5,144
Impairment allowance	(594)	(824)	(778)
Total	25,607	71,336	108,439

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	236,389	330,847	266,063

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	236,389	330,847	266,063

The financial assets at fair value through profit or loss above were structured deposits issued by commercial banks. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest and they were held for trading.

23. CASH, BANK BALANCES AND RESTRICTED CASH

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current			
Cash and cash equivalents	74,838	70,612	81,937
Time deposits with maturities over three months	109,679	–	–
Restricted cash current portion:			
Restricted for bills payable	5,255	19,164	5,118
Restricted for others	1	1	1
Total	189,773	89,777	87,056
Denominated in:			
RMB	158,561	78,609	82,299
HKD	10	–	45
CHF	–	13	–
EUR	–	–	395
USD	31,202	11,155	4,317
Total	189,773	89,777	87,056

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current			
Cash and cash equivalents	49,149	55,605	71,327
Time deposits with maturities over three months	109,679	–	–
Restricted cash current portion:			
Restricted for bills payable	5,255	12,241	2,391
Restricted for others	1	1	1
Total	164,084	67,847	73,719
Denominated in:			
RMB	151,235	64,395	73,709
CHF	–	13	–
USD	12,849	3,439	10
Total	164,084	67,847	73,719

24. TRADE AND BILLS PAYABLES

Group

The trade payables are non-interest-bearing and are normally settled within two months.

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	7,862	8,042	15,469
Bills payable	5,255	19,164	5,118
Total	13,117	27,206	20,587

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	12,480	26,132	19,576
Over 1 year	637	1,074	1,011
Total	13,117	27,206	20,587

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	11,175	9,692	19,352
Bills payable	5,255	12,241	2,391
Total	16,430	21,933	21,743

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	16,041	21,524	21,396
Over 1 year	389	409	347
Total	16,430	21,933	21,743

25. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contract liability	21,795	35,354	6,459
Payroll and welfare payable	23,804	30,392	31,819
Other tax payable	5,830	2,411	4,120
Payable for purchase of property, plant and equipment	16,714	20,889	50,711
Service fee payable	33,943	42,298	85,130
Others	20,722	10,202	25,883
Total	122,808	141,546	204,122

Other payables and accruals were trade in nature, non-interest-bearing and repayable on demand.

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contract liability	21,790	35,353	6,459
Payroll and welfare payable	22,750	28,663	29,846
Other tax payable	5,572	2,384	3,907
Payable for purchase of property, plant and equipment	14,989	19,077	37,387
Service fee payable	33,548	42,186	85,130
Others	20,651	9,961	24,950
Total	119,300	137,624	187,679

26. INTEREST-BEARING BORROWINGS

Group and Company

	As at 31 December 2023		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank loans – unsecured	2.80	2024	816
Non-current			
Bank loans – unsecured	2.80	2026	19,200
Total			20,016

	As at 31 December 2024		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank loans – unsecured	2.45-2.95	2025	18,466
Non-current			
Bank loans – unsecured	2.45-2.85	2026-2027	55,350
Total			73,816

Note: During the Relevant Periods, the unsecured bank loan of RMB20,000,000, with a maturity date on 27 March 2027, is subject to three covenants that require:

(1) Gearing ratio less than 75%. The gearing ratio was 25.40% as at 31 December 2024.

(2) Contingent liability ratio less than 200%. The contingent liability ratio was 0% as at 31 December 2024.

(3) Net cash flows generated from operating activities must not be negative for three consecutive years. Net cash flows generated from operating activities were positive in 2022, 2023 and 2024.

The Group considers there is no indication that it will have difficulties in complying with these covenants.

27. DEFERRED TAX

Group

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	356,653	163,423	225,107
Deductible temporary differences	–	408	5,082
Total	356,653	163,831	230,189

The Group had tax losses of RMB356,653,000, RMB163,423,000 and RMB225,107,000 at 31 December 2022, 2023 and 2024, respectively, mainly arising from subsidiaries in the United States. The tax losses of the subsidiaries in the United States will not expire for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilised.

The movements in deferred tax assets during the Relevant Periods are as follows:

	Provision and accruals	Government grants	Lease liabilities	Share-Based payments	Losses available for offsetting against future taxable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022 and 31 December 2021	576	5,771	1,120	3,570	54,102	65,139
Deferred tax credited to profit or loss during the year	741	1,145	(769)	4,002	16,676	21,795
As at 1 January 2023 and 31 December 2022	1,317	6,916	351	7,572	70,778	86,934
Deferred tax credited to profit or loss during the year	1,353	(1,747)	(56)	(269)	7,212	6,493
As at 1 January 2024 and 31 December 2023	2,670	5,169	295	7,303	77,990	93,427
Deferred tax credited to profit or loss during the year	1,526	(528)	219	1,393	(423)	2,187
As at 31 December 2024	4,196	4,641	514	8,696	77,567	95,614

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	Right-of-use assets	Changes in fair value of financial assets	Accrued interest on time deposits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022 and 31 December 2021	1,120	110	1,440	2,670
Deferred tax credited to profit or loss during the year	(638)	237	980	579
As at 1 January 2023 and 31 December 2022	482	347	2,420	3,249
Deferred tax credited to profit or loss during the year	(150)	(220)	(2,420)	(2,790)
As at 1 January 2024 and 31 December 2023	332	127	–	459
Deferred tax credited to profit or loss during the year	250	32	–	282
As at 31 December 2024	582	159	–	741

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		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	83,685	92,968	94,873
Net deferred tax liabilities recognised in the consolidated statements of financial position	–	–	–

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 August 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at the end of each of the Relevant Periods, no deferred tax has been recognised for withholding taxes as the Group's subsidiaries incorporated in Mainland China have no such earnings to distribute to their foreign investors from 1 January 2008.

Company

The movements in deferred tax assets during the Relevant Periods are as follows:

	Provision and accruals	Government grants	Lease liabilities	Share-Based payments	Losses available for offsetting against future taxable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022 and 31 December 2021	568	5,771	1,120	3,428	49,259	60,146
Deferred tax credited to profit or loss during the year	493	1,145	(869)	3,848	11,819	16,436
As at 1 January 2023 and 31 December 2022	1,061	6,916	251	7,276	61,078	76,582
Deferred tax credited to profit or loss during the year	661	(1,747)	1	(540)	2,905	1,280
As at 1 January 2024 and 31 December 2023	1,722	5,169	252	6,736	63,983	77,862
Deferred tax credited to profit or loss during the year	(150)	(528)	262	1,086	(3,103)	(2,433)
As at 31 December 2024	1,572	4,641	514	7,822	60,880	75,429

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	Right-of-use assets	Changes in fair value of financial assets	Accrued interest on time deposits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022 and 31 December 2021	1,120	110	1,440	2,670
Deferred tax credited to profit or loss during the year	(740)	237	980	477
As at 1 January 2023 and 31 December 2022	380	347	2,420	3,147
Deferred tax credited to profit or loss during the year	(94)	(220)	(2,420)	(2,734)
As at 1 January 2024 and 31 December 2023	286	127	–	413
Deferred tax credited to profit or loss during the year	296	32	–	328
As at 31 December 2024	582	159	–	741

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 Company for financial reporting purposes:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the statements of financial position of the company	73,435	77,449	74,688
Net deferred tax liabilities recognised in the statements of financial position of the company	–	–	–

28. DEFERRED INCOME

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government grants	863	19,457	15,938

29. OTHER NON-CURRENT LIABILITIES

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government grants	15,000	15,000	–

The Group's other non-current liabilities mainly represented government grants related to long-term assets in production and research with attached conditions and government acceptance requirements. The other non-current liabilities were mainly transferred to deferred income upon the compliance of the Group with the conditions attached to the grants and the government acknowledgement of acceptance.

30. SHARE CAPITAL

A summary of movements in the Company's issued share capital during the Relevant Periods is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
Ordinary shares	370,780	370,780	370,780
Total	370,780	370,780	370,780

31. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity on pages I-8 to I-9 of the Historical Financial Information.

32. SHARE-BASED PAYMENTS

The Company established five employee incentive platforms and adopted share award schemes (the "Schemes") for the purpose of providing incentives and rewards to eligible employees who contribute to the success of the Group's operations. During the Relevant Periods, the Group granted the shares of the Company under the Schemes through Suzhou Minmei Investment Management Enterprise (Limited Partnership) ("Suzhou Minmei"), Suzhou Wolun Enterprise Management Center (Limited Partnership) ("Suzhou Wolun"), Suzhou Yuanchen Enterprise Management Center (Limited Partnership) ("Suzhou Yuanchen"), Suzhou Yuansheng Enterprise Management Partnership (Limited Partnership) ("Suzhou Yuansheng") and Suzhou Dachen Enterprise Management Partnership (Limited Partnership) ("Suzhou Dachen") which were set up in the PRC in April 2017, September 2020, September 2020, May 2023 and May 2023, respectively.

In 2022, the Company transferred the shares held by the resigned employees of the year to other employees designated by the Company, and recognised the share-based payment amounting to RMB9,924,000 based on the stock price of the Company evaluated by the evaluation agency on 31 December, 2022 after deducting the cash payment received from the selected employees.

The Group implemented a new round of equity incentive plan on 25 May 2023, and the grant amount and waiting period are determined according to the employees' positions and special contributions. In the first half of 2023, the Group transferred the shares held by the resigned employees of the period to other employees designated by the Company, and recognised the share-based payment after deducting the cash payment received from the selected employees based on the share price of the Company assessed by the evaluation agency on 31 December, 2022. In the second half of 2023, the Group transferred the shares held by the resigned employees of the period to other employees designated by the Company, and recognised the share-based payment after deducting the cash payment received from the selected employees based on the share price of the Company assessed by the evaluation agency on 31 December 2023.

In the first half of 2024, the Group transferred the shares held by the resigned employees of the period to other employees designated by the Company, and recognised the share-based payment after deducting the cash payment received from the selected employees based on the share price of the Company assessed by the evaluation agency on 31 December, 2023.

In the second half of 2024, the Group transferred the shares held by the resigned employees of the period to other employees designated by the Company, and recognised the share-based payment after deducting the cash payment received from the selected employees based on the share price of the Company assessed by the evaluation agency on 31 December 2024.

Restricted share units ("RSUs") granted to directors and employees

	Weighted average fair value	Number of RSUs
	RMB per share	*'000*
At 1 January 2022		2,292
Granted	30	336
Vested	27	(429)
Forfeited	22	(283)
At 31 December 2022		1,916
Exercisable as of 31 December 2022		
At 1 January 2023		1,916
Granted	33	1,459
Vested	22	(302)
Forfeited	22	(50)
At 31 December 2023		3,023
Exercisable as of 31 December 2023		
At 1 January 2024		3,023
Granted	35	104
Vested	26	(312)
Forfeited	27	(401)
At 31 December 2024		2,414
Exercisable as of 31 December 2024		

The fair value of the restricted shares as at the grant date was determined using the discounted cash flow model. Major inputs used for the determination of the fair value of shares are listed as follows:

	At grant date
The annual revenue growth rates	3.3-94.9%
The before-tax discount rates	15.1-17.5%

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB75,000, RMB4,033,000 and RMB9,155,000, respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2022

	Interest-bearing borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2022	–	5,271
Changes from financing cash flows	–	(4,006)
New leases	–	75
Interest expense *(note 7)*	–	164
At 31 December 2022	–	1,504

Year ended 31 December 2023

	Interest-bearing borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2023	–	1,504
Changes from financing cash flows	20,000	(3,548)
New leases	–	4,033
Interest expense *(note 7)*	16	149
Termination of lease contracts	–	(241)
At 31 December 2023	20,016	1,897

Year ended 31 December 2024

	Interest-bearing borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2024	20,016	1,897
Changes from financing cash flows	52,233	(4,731)
New leases	–	9,155
Interest expense *(note 7)*	1,567	216
Termination of lease contracts	–	(1,256)
At 31 December 2024	73,816	5,281

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	2,682	4,160	2,601
Within financing activities	4,006	3,548	4,731
Total	6,688	7,708	7,332

34. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Property, plant and equipment	143,051	134,366	108,710

The Group has various lease contracts that have not yet commenced as at 31 December 2024, The future lease payments for these non-cancellable lease contracts are RMB689 due within one year, RMB0 due in the second to fifth years, inclusive and RMB0 due after five years.

The Group has various lease contracts that have not yet commenced as at 31 December 2023, The future lease payments for these non-cancellable lease contracts are RMB2,725 due within one year, RMB1,164 due in the second to fifth years, inclusive and RMB0 due after five years.

The Group has various lease contracts that have not yet commenced as at 31 December 2022, The future lease payments for these non-cancellable lease contracts are RMB2,215 due within one year, RMB0 due in the second to fifth years, inclusive and RMB0 due after five years.

35. RELATED PARTY TRANSACTIONS

Related parties during the Relevant Periods were as follows:

Name	Relationship with the Company
Kalliste Systems, Inc. ("Kalliste")	Significantly influenced by the spouse of Dr. LI LI BOVET, a member of the Company's single largest group of shareholders
Chengdu Shangyi Information Technology Co., Ltd. ("Chengdu Shangyi")	The company whose chairman Mr. LEI Zhen served as a director of the Company until his departure in October 2020
Jiangsu Jintai Medical Equipment Co., Ltd. ("Jiangsu Jintai")	A subsidiary of a company whose shareholder and former director Ms. WANG Simian, was also a director of the Company until her departure in July 2020
Etienne Bovet	Immediate family of Dr. LI LI BOVET, a member of the Company's single largest group of shareholders
Jean-Marc Bovet	Immediate family of Dr. LI LI BOVET, a member of the Company's single largest group of shareholders

In additional to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Purchases of services:			
Jiangsu Jintai	3,389	3,177	–
Chengdu Shangyi	–	410	–
Etienne Bovet	66	–	–
Purchases of other intangible assets:			
Kalliste	220	–	–

Outstanding balances with related parties

Amounts due from related parties:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade related:			
Jiangsu Jintai	2,476	–	–
Total	2,476	–	–

Amounts due to related parties:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade related:			
Chengdu Shangyi	250	660	660
Total	250	660	660
Non-trade related:			
Jean-Marc Bovet	1,250	–	–
Total	1,250	–	–

Compensation of key management personnel of the Group

Compensation of key management personnel of the Group, which comprises the directors' and chief executive's remuneration as disclosed in note 9 to the Historical Financial Information, is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	4,941	5,765	5,854
Share-based payment expense	10,819	4,634	4,500
Pension scheme contributions	322	378	420
Total	16,082	10,777	10,774

36. 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:

As at 31 December 2022

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial assets included in other non-current assets	24	–	24
Trade receivables	8,937	–	8,937
Financial assets included in other receivables and other assets	4,567	–	4,567
Financial assets at fair value through profit or loss	–	236,389	236,389
Restricted cash and Time deposits	114,935	–	114,935
Cash and cash equivalents	74,838	–	74,838
Total	203,301	236,389	439,690

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	13,117
Financial liabilities included in other payables and accruals	56,189
Lease liabilities	1,504
Total	70,810

As at 31 December 2023

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	2,870	–	2,870
Financial assets included in other receivables and other assets	3,591	–	3,591
Financial assets at fair value through profit or loss	–	330,847	330,847
Restricted cash and Time deposits	19,165	–	19,165
Cash and cash equivalents	70,612	–	70,612
Total	96,238	330,847	427,085

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	27,206
Financial liabilities included in other payables and accruals	68,209
Interest-bearing borrowings	20,016
Lease liabilities	1,897
Total	117,328

As at 31 December 2024

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	266,063	266,063
Trade receivables	27,130	–	27,130
Financial assets included in other receivables and other assets	4,139	–	4,139
Restricted cash and time deposits	5,119	–	5,119
Cash and cash equivalents	81,937	–	81,937
Total	118,325	266,063	384,388

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	20,587
Financial liabilities included in other payables and accruals	143,865
Interest-bearing borrowings	73,816
Lease liabilities	5,281
Total	243,549

37. 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 their fair values, are as follows:

	Carrying amounts			Fair values		
	2022	2023	2024	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets						
Financial assets at fair value through profit or loss	236,389	330,847	266,063	236,389	330,847	266,063

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair values of interest-bearing borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in structured deposit products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2022:

	Fair value measurement categorized into			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	236,389	–	236,389

As at 31 December 2023:

	Fair value measurement categorized into			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	330,847	–	330,847

As at 31 December 2024:

	Fair value measurement categorized into			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial investments at fair value through profit or loss	–	266,063	–	266,063

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, cash and cash equivalents and financial liabilities such as interest-bearing borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/(decrease) in basis points	Increase/(decrease) in loss before tax	Increase/(decrease) in equity
		RMB'000	*RMB'000*
Year ended 31 December 2023	100/(100)	6/(6)	6/(6)
Year ended 31 December 2024	100/(100)	449/(449)	449/(449)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in loss before tax	Increase/(decrease) in equity
	%	*RMB'000*	*RMB'000*
Year ended 31 December 2022			
If RMB weakens against US$	5	1,560	1,560
If RMB strengthens against US$	(5)	(1,560)	(1,560)
Year ended 31 December 2023			
If RMB weakens against US$	5	558	558
If RMB strengthens against US$	(5)	(558)	(558)
Year ended 31 December 2024			
If RMB weakens against US$	5	216	216
If RMB strengthens against US$	(5)	(216)	(216)

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows 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.

31 December 2022

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other non-current assets	488	–	–	–	488
Trade receivables	–	–	–	9,407	9,407
Financial assets included in other receivables and other assets	4,034	–	2,000	–	6,034
Restricted cash and Time deposits	114,935	–	–	–	114,935
Cash and cash equivalents	74,838	–	–	–	74,838
Total	194,295	–	2,000	9,407	205,702

31 December 2023

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other non-current assets	388	–	–	–	388
Trade receivables	–	–	–	3,021	3,021
Financial assets included in other receivables and other assets	2,989	–	3,000	–	5,989
Restricted cash and Time deposits	19,165	–	–	–	19,165
Cash and cash equivalents	70,612	–	–	–	70,612
Total	93,154	–	3,000	3,021	99,175

31 December 2024

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other non-current assets	488	–	–	–	488
Trade receivables	–	–	–	28,567	28,567
Financial assets included in other receivables and other assets	3,145	–	3,000	–	6,145
Restricted cash and Time deposits	5,119	–	–	–	5,119
Cash and cash equivalents	81,937	–	–	–	81,937
Total	90,689	–	3,000	28,567	122,256

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector.

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:

31 December 2022

	Within 1 year	1 to 2 years	2 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	13,117	–	–	13,117
Financial liabilities included in other payables and accruals	56,189	–	–	56,189
Lease liabilities	1,301	244	–	1,545
Total	70,607	244	–	70,851

31 December 2023

	Within 1 year	1 to 2 years	2 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	27,206	–	–	27,206
Financial liabilities included in other payables and accruals	68,209	–	–	68,209
Interest-bearing borrowings	816	2,126	18,070	21,012
Lease liabilities	2,475	–	–	2,475
Total	98,706	2,126	18,070	118,902

31 December 2024

	Within 1 year	1 to 2 years	2 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	20,587	–	–	20,587
Financial liabilities included in other payables and accruals	143,865	–	–	143,865
Interest-bearing borrowings	18,466	20,717	37,916	77,099
Lease liabilities	2,472	1,398	1,621	5,491
Total	185,390	22,115	39,537	247,042

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 issue new shares or return capital to shareholders. 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 Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratio as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Total assets	1,015,218	1,135,145	1,259,026
Total liabilities	153,292	225,122	319,744
Gearing ratio	15.10%	19.83%	25.40%

39. EVENTS AFTER THE RELEVANT PERIODS

The Group has evaluated the events subsequent to 31 December 2024 and noted there were no significant subsequent events.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2024.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests held by the Group in the PRC as at 30 April 2025

27/F One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong
[●]

The Directors
CF PharmTech, Inc.*
No. 16, Hucundang Road
Xiangcheng Economic Development District
Suzhou
Jiangsu Province
The PRC

INSTRUCTIONS, PURPOSE & VALUATION DATE

We refer to the instruction of CF PharmTech, Inc.* (the "**Company**") for Cushman & Wakefield Limited ("**C&W**") to prepare market valuations of the selected property in which the Company and/or its subsidiaries (together referred to as the "**Group**") have interests in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the value of the properties as at 30 April 2025 (the "**valuation date**").

VALUATION BASIS

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2024 published issued by The Hong Kong Institute of Surveyors 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".

We confirm that the valuations are undertaken in accordance with The HKIS Valuation Standards 2024 published issued by The Hong Kong Institute of Surveyors.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited.

Our valuation of each of the properties is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation of each of the properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties, we have relied on the information and advice given by the Company's PRC legal advisors, Zhong Lun Law Firm, regarding the titles to the properties and the interests of the Company in the properties in the PRC. Unless otherwise stated in the respective legal opinion, in valuing the properties, we have assumed that the Group has an enforceable title to the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the respective valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

METHOD OF VALUATION

In valuing property in Group I, we have used Market Comparison Method by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to floor level, size, time, view and other relevant factors. Given that the property is industrial development, comparable sales transactions are frequent or information about such sales is readily available. We have therefore used Market Comparison Method which is in line with the market practice.

In valuing property in Group II, we have adopted the Depreciated Replacement Costs ("DRC") Method. The DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its PRC legal advisors, Zhong Lun Law Firm regarding the title to the properties and the interests of the Group in the properties. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information provided to us.

TITLE INVESTIGATION

We have been provided with copies of the title documents relating to the properties but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the properties.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group, in respect of the title to the properties in the PRC.

SITE INSPECTION

Ms. Jun Wang of our Suzhou Office who is Registered China Real Estate Appraiser, inspected the exterior and, where possible, the interior of the properties on 12 September 2024. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We are, however, not able to report that the properties are free of rot, infestation or other structural defects. No test was carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

CONFIRMATION OF INDEPENDENCE

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This valuation report is issued only for the use of the Company for incorporation into the document.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi ("**RMB**"), the official currency of the PRC.

We enclose herewith a summary of valuations and our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S. M. Lam
MRICS, MHKIS, RPS(GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Grace S.M Lam is a member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyor and Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 30 April 2025	Attributable interest to the Group	Market value in existing state as at 30 April 2025 attributable to the Group
		(RMB)	*(%)*	*(RMB)*
Group I — Selected Property held by the Group for owner occupation in the PRC				
1.	An industrial development, No. 16 Hucundang Road, Xiangcheng District, Suzhou City, Jiangsu Province, the PRC.	154,000,000	100	154,000,000
Group II — Property held under development by the Group in the PRC				
2.	An industrial development under construction, South of Hucundang Road, East of Yong Chang Road, Xiangcheng District, Suzhou City, Jiangsu Province, the PRC.	153,000,000	100	153,000,000
	Total:	**307,000,000**		**307,000,000**

VALUATION REPORT

Group I — Selected Property held by the Group for owner occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2025
1.	An industrial development, No. 16 Hucundang Road, Xiangcheng District, Suzhou City, Jiangsu Province, the PRC.	The property comprises an industrial development erected upon a parcel of land with a site area of approximately 16,022.4 sq.m. The property has a total gross floor area of 30,197.7 sq.m. The property was completed in between 2014 and 2022. The property is located at the center of Xiangcheng District. Developments nearby are mainly industrial in nature. According to the information provided by the Group, the property is for industrial uses. The land use rights of the property have been granted for terms due to expire on 8 October 2063 for industrial use.	As at the date of valuation, the property is for self-use.	RMB154,000,000 (RENMINBI ONE HUNDRED AND FIFTY FOUR MILLION)

Notes:

(1) According to the Certificate of Real Estate Ownership No. (2017) 7011503 issued by the Suzhou Municipal Bureau of Land and Resources (蘇州市國土資源局), the land use rights of the property comprising a total site area of 16,022.40 sq.m. and a total gross floor area of 13,931.94 sq.m. have been vested in CF PharmTech, Inc.* (長風藥業股份有限公司) for a term due to expire on 8 October 2063 for industrial use.

(2) According to Certificate for Completion Examination of Construction Works, the construction works of the industrial and basement portions with a total gross floor area of 16,265.76 sq.m. was agreed to be registered as completed.

(3) We have been provided with a legal opinion on the property prepared by the Company's PRC Legal Advisors which contains, inter alia, the following information:

(a) CF PharmTech, Inc.* (長風藥業股份有限公司) is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government; and

(b) CF PharmTech, Inc.* (長風藥業股份有限公司) has the right to freely transfer, lease or dispose of the property.

VALUATION REPORT

Group II — Property held under development by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2025
2.	An industrial development under construction, South of Hucundang Road, East of Yongchang Road, Xiangcheng District, Suzhou City, Jiangsu Province, the PRC.	The property is erected upon a parcel of land with a site area of approximately 52,659 sq.m. The property is, currently under construction, an industrial development. The property has a total planned gross floor area of 30,283.74 sq.m. The property is scheduled to be completed in 2025. The property is located at the center of Xiangcheng District. Developments nearby are mainly industrial in nature. According to the information provided by the Group, the property is for industrial uses. The land use rights of the property have been granted for terms due to expire on 23 March 2052 for industrial use.	As at the date of valuation, the property is under construction.	RMB153,000,000 (RENMINBI ONE HUNDRED AND FIFTY THREE MILLION)

Notes:

(1) According to the Certificate of Land Ownership No. (2022) 7010426 issued by the Suzhou Natural Resources and Planning Bureau (蘇州市自然資源和規劃局), the land use rights of the property comprising a total site area of 52,659.00 sq.m. have been vested in CF PharmTech, Inc.* (長風藥業股份有限公司) for a term due to expire on 23 March 2052 for industrial use.

(2) According to Grant Contract of Land Use Rights entered into between the Suzhou Natural Resources and Planning Bureau (蘇州市自然資源和規劃局) and CF PharmTech, Inc.* (長風藥業股份有限公司) on 21 March 2022, the land use rights of the property have been contracted to be granted to CF PharmTech, Inc.* (長風藥業股份有限公司) with details as follows:

(i)	Site area	:	52,659 sq.m.
(ii)	Uses	:	Industrial use
(iii)	Plot ratio	:	No less than 2.0
(iv)	Land Premium	:	RMB13,270,000
(v)	Building Covenant	:	Construction to commence before 21 March 2023 and to complete before 20 March 2025

(3) According to Planning Permit for Construction Work No. 320599202200098 issued by the Suzhou Industrial Park Planning and Construction Committee (蘇州工業園區規劃建設委員會) dated 17 May 2022, the construction works of the property with a total gross floor area of 30,283.74 sq.m. are in compliance with the urban planning requirements and have been approved.

(4) According to the Permit for Commencement of Construction Works No. 320594202303170581 the proposed construction works with a gross floor area of 30,283.74 sq.m. is in compliance with the requirements for works commencement and have been permitted for construction.

(5) As advised by the Company, the total expended construction costs as at 30 April 2025 was approximately RMB123,000,000, In the course of our valuation, we have taken into account such construction costs.

(6) We have been provided with a legal opinion on the property prepared by the Company's PRC Legal Advisors which contains, inter alia, the following information:

(a) CF PharmTech, Inc. *(長風藥業股份有限公司) is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government; and

(b) CF PharmTech, Inc.* (長風藥業股份有限公司) has obtained the relevant certificates and approval from the government in respect of the construction 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 [**REDACTED**] in H Shares, nor does it take the specific circumstances of any particular [**REDACTED**] 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 [**REDACTED**] 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税和防止偷漏税的安排》), 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税和防止偷漏税的安排>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 and 2024, 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 (《國家稅務總局關於執行稅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稅法》), 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 PRC (《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專案等事項的決定》) (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專案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.

PRC LAWS AND REGULATIONS

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 March 28, 2025, 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 will 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 prospectus 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:

(I) individually and jointly be liable for the payment of all liabilities and expenses incurred in the incorporation process if the company cannot be incorporated;

(II) 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

(III) 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:

(I) have a sound organizational structure with satisfactory operating;

(II) have the capability of sustainable operation;

(III) have been issued with an unqualified opinion audit report by the auditor for the company's financial accounting documents in the latest three years;

(IV) 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

(V) 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:

(I) the company shall prepare a balance sheet and an inventory of properties;

(II) make a resolution at a shareholders' meeting to reduce the registered capital;

(III) 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;

(IV) 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

(V) 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:

(I) reduction of the registered capital of the company;

(II) merger with another company that holds its shares;

(III) use of its shares for carrying out an employee stock ownership plan or equity incentive plan;

(IV) 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;

(V) use of shares for conversion of convertible corporate bonds issued by the listed company; and

(VI) 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 (I) or item (II) above; for a company's repurchase of shares under any of the circumstances stipulated in item (III), item (V) or item (VI) 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 (I) 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 (II) or item (IV); 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 (III), item (V) or item (VI) 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 (III), item (V) and item (VI) 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:

(I) to be legally entitled to assets income, participate in significant decision-making and select management personnel;

(II) 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;

(III) to transfer his/her shares legally;

(IV) to attend or appoint a proxy to attend shareholders' meetings and exercise the voting rights;

(V) 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;

(VI) 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;

(VII) to receive dividends in respect of the number of shares held;

(VIII) to participate in the distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(IX) 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:

(I) to elect or replace the directors and supervisors and to decide on the matters relating to the remuneration of directors and supervisors;

(II) to consider and approve the reports of the board of directors;

(III) to consider and approve the reports of the Board of Supervisors;

(IV) to consider and approve the company's profit distribution and loss recovery proposals;

(V) to decide on any increase or reduction of the company's registered capital;

(VI) to decide on the issue of corporate bonds;

(VII) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(VIII) to amend the Articles of Association of the company; and

(IX) 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:

(I) 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;

(II) the total outstanding losses of the company amounted to one-third of the company's total share capital;

(III) shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary meeting;

(IV) the board of directors deems necessary;

(V) the Board of Supervisors so proposes; or

(VI) 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:

(I) to convene shareholders' meetings and report on its work to the shareholders' meetings;

(II) to implement the resolutions passed by the shareholders at the shareholders' meetings;

(III) to decide on the Company's operational plans and investment proposals;

(IV) to formulate the Company's proposals for profit distribution and for recovery of losses;

(V) to formulate proposals for the increase or reduction of the Company's registered capital and the issue of corporate bonds;

(VI) to formulate proposals for the merger, division, dissolution of the Company or change in the form of the Company;

(VII) to decide on the setup of the Company's internal management organs;

(VIII) 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;

(IX) to formulate the Company's basic management system; and

(X) 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:

(I) devoid of or with restricted civil conduct ability;

(II) 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;

(III) within three years after insolvency and liquidation of such Company or enterprise where the person acted as a directors, factory manager or business manager and has been held accountable for the insolvency;

(IV) 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

(V) 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:

(I) to review the company's financial position;

(II) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders' meetings;

(III) 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;

(IV) 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;

(V) to submit proposals to the shareholders' meetings;

(VI) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and

(VII) to exercise any other authority stipulated in the Articles of Association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board 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:

(I) embezzling company property and misappropriating company's funds;

(II) depositing company funds into accounts under their own names or the names of other individuals;

(III) taking advantage of power to accept bribes or other illegal income;

(IV) accept commissions from transactions between others and the company for their own benefits;

(V) unauthorized divulgence of confidential information of the company; and

(VI) 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:

(I) 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;

(II) the shareholders' meeting has resolved to dissolve the company;

(III) the company is dissolved by reason of its merger or division;

(IV) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(V) 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 (I) 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 (I), (II), (IV) or (V) 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:

(I) to verify the Company's assets and to prepare a balance sheet and an inventory of assets;

(II) to inform creditors by notice or announcement;

(III) to deal with and settle any outstanding business of relevant company;

(IV) to pay all outstanding taxes and the taxes arising during the liquidation process;

(V) to settle claims and debts;

(VI) to distributing the company's remaining assets after its debts have been paid off; and

(VII) 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:

(I) the listing and financing fall under specific prohibiting in the laws, administrative regulations, and relevant national provisions;

(II) 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;

(III) 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;

(IV) 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;

(V) 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:

(I) change in controlling rights;

(II) being subject to investigation, punishment, or other measures by overseas securities regulatory authorities or the relevant competent authorities;

(III) changing the listing status or transferring the listing board;

(IV) 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. 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 other than in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division, 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 of 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.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "HKSFC") issued the Joint Announcement of CSRC and HKSFC — Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "Shanghai-Hong Kong Stock Connect") by the Shanghai Stock Exchange (hereinafter referred to as "SSE"), the Stock Exchange, CSDC and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000 in total. On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014. On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

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 11 Directors with one chairman, including 4 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 COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was established as a limited liability company in the PRC on January 24, 2013, and further converted into a joint stock company with limited liability on June 8, 2016.

As of the date of this document, our registered office and head office are located at No. 16, Hucundang Road, Xiangcheng Economic Development Zone, Suzhou, Jiangsu Province, the PRC. Accordingly, our Company's 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 "Summary of Articles of Association" in Appendix VI to this document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Summary of Principal Laws and Regulatory Provisions" in Appendix V to this document.

Our Company has established a principal place of business in Hong Kong at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 21, 2024. Ms. CHU Cheuk Ting, one of our joint company secretaries, has been appointed as the authorized representative of our Company for the acceptance of the service of process on behalf of our Company in Hong Kong. The address for the service of process is the same as our principal place of business in Hong Kong.

2. Changes in Share Capital of Our Company

There has been no alteration in our share capital within two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

Our Company's subsidiaries are set out Note 1 in the Accountants' Report as set out in Appendix I. The following sets out changes in the share capital of our subsidiaries within two years immediately preceding the date of this document:

In August 2024, the registered capital of Suzhou Wusheng was increased from RMB1,000,000 to RMB10,000,000 by way of capital injection.

4. Shareholders' Resolutions

At the general meeting of our Company held on September 30, 2024, among other things, the following resolutions were passed by the Shareholders:

(i) the [**REDACTED**] by our Company of H Shares of the nominal value of RMB1.0 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(ii) the number of H Shares to be issued pursuant to the [**REDACTED**] shall be no more than [**REDACTED**] H Shares, and the grant of the [**REDACTED**] in respect of no more than [**REDACTED**] of the number of H Shares initially being [**REDACTED**] under the [**REDACTED**];

(iii) subject to the completion of filing with the CSRC, upon completion of the [**REDACTED**], 261,025,586 Unlisted Shares in aggregate held by our Shareholders will be converted into H Shares on a one-for-one basis;

(iv) subject to the completion of the [**REDACTED**], the granting of a general mandate to the Board to allot and issue H Shares (including any sale or transfer of treasury Shares of our Company) at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as the Board in their absolute discretion deem fit, and to handle the approval or filing of the CSRC, the Stock Exchange and/or other relevant regulatory authorities with respect to in the aforementioned general mandate in accordance with the relevant laws and regulations, provided that, the number of H Shares to be issued shall not exceed 20% of the number of H Shares in issue (excluding treasury Shares, if any) as of the [**REDACTED**];

(v) subject to the completion of the [**REDACTED**], the conditional adoption of the Articles of Association, which shall become effective on the [**REDACTED**], and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and other relevant regulatory authorities;

(vi) authorization of the Board and its authorized persons to amend the resolutions in accordance with the requirements of competent regulatory authorities, and [**REDACTED**] with the specific implementation; and

(vii) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the [**REDACTED**], the [**REDACTED**] and [**REDACTED**] of the H Shares.

5. Reorganization

We have not gone through any corporate reorganization for the purpose of the [**REDACTED**]. For details of the history and development of our Company, see "History, Development and Corporate Structure."

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contract

The following contract (not being contract entered into in the ordinary course of business) has been entered into by members of our Group within the two years preceding the date of this document and is or may be material:

(i) [**REDACTED**].

2. Intellectual Property Rights

(i) Trademarks

(a) Registered Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date
1.	CF PHARMTECH 长风药业	Hong Kong	Our Company	5, 42	306668326	September 11, 2034
2.	CF PHARMTECH 长风药业	PRC	Our Company	10	80256828	March 6, 2035
3.	长风药业	PRC	Our Company	42	13059602	December 27, 2034
4.	长风药业	PRC	Our Company	5	21182691	June 27, 2028
5.	舒霏敏	PRC	Our Company	35	64941237	August 20, 2033
6.	畅抒	PRC	Our Company	5	64332873	November 6, 2032
7.	CF PHARMTECH 长风药业	PRC	Our Company	42	48518300	March 27, 2032
8.	CF PHARMTECH 长风药业	PRC	Our Company	5	48523152A	May 13, 2031
9.	CF PHARMTECH	PRC	Our Company	5	48523144	April 6, 2031
10.	CF PHARMTECH	PRC	Our Company	42	48546851	March 13, 2031
11.	畅起	PRC	Our Company	5	48514883	March 13, 2031
12.	畅起	PRC	Our Company	42	48546837	March 13, 2031
13.	AuroAir	PRC	Jiangsu CF	5	59385767	April 6, 2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date
14. . .	AuroAir	PRC	Jiangsu CF	10	39387635	March 6, 2030
15. . .	Ellaugh	PRC	Suzhou CF Health	42	73691211	February 20, 2034
16. . .	Ellaugh	PRC	Suzhou CF Health	5	73044653	January 20, 2034
17. . .	Ellaugh	PRC	Suzhou CF Health	5	67568102	April 20, 2033

(ii) Patents

(a) Registered Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Place of Registration	Patent Number	Owner	Expiration Date
Invention patent					
1. . .	An Endobronchial Valve Stent (一種支氣管內活瓣支架)	PRC	202211684437.2	Our Company	December 26, 2042
2. . .	Application of an Ethanone Analog in the Preparation of Drugs for the Treatment of Inflammatory Diseases (一種乙酮類化合物在製備治療炎癥藥物中的應用)	PRC	202010602754.X	Our Company	June 28, 2040
3. . .	A Method of Preparation for Micronized Mixture of Gronethalonium Bromide and Indacaterol Apis (一種格隆溴銨和茚達特羅原料藥微粉混合物的製備方法)	PRC	201911216301.7	Our Company	December 1, 2039

No.	Patent	Place of Registration	Patent Number	Owner	Expiration Date
4.	A Method for Pharmaceutical Inhalation Aerosol and its Preparation (一種藥用吸入氣霧劑及其製備方法)	PRC	201910559969.5	Our Company	June 25, 2039
5.	An Automatic Capping Device for Inhalation Preparation Filling (一種吸入製劑灌裝的自動壓蓋裝置)	PRC	201910122774.4	Our Company	February 18, 2039
6.	A Production Line for Inhalation Preparation Filling (一種吸入製劑灌裝生產線)	PRC	201910124912.2	Our Company	February 18, 2039
7.	Use of 9-Methyl-3, 6-Diacetylcarbazole in the Treatment or Prevention of Inflammatory Diseases of the Respiratory Tract (9-甲基-3,6-二乙酰基咔唑用於治療或預防呼吸道炎性疾病的用途)	PRC	201910067040.0	Our Company	January 23, 2039
8.	Dosing Type Nebulized Drug Delivery Device (定量型霧化給藥裝置)	PRC	201810624625.3	Our Company	June 15, 2038
9.	A Nebulizer with Aflatoxin and Gronethium Bromide as Active Ingredients and a Method of Preparation Thereof (一種以阿福特羅和格隆溴銨為活性成分的霧化劑及其製備方法)	PRC	201710504025.9	Our Company	June 26, 2037
10.	An Inhibitor of Bacterial Type I Topoisomerase and its Application (一種細菌I型拓撲異構酶的抑製劑及其應用)	PRC	201610421602.3	Our Company	June 12, 2036

No.	Patent	Place of Registration	Patent Number	Owner	Expiration Date
11. . .	Salmeterol Fluticasone Aerosol Formulation with Hydrofluoroalkane as Propellant (以氫氟烷烴為拋射劑的沙美特羅替卡松氣霧劑製劑)	PRC	201110322177.X	Our Company	October 20, 2031
12. .	Aerosol Formulation of Fluticasone Propionate Coated with Hydrofluoroalkanes and Polyethylene Glycol (以氫氟烷烴和聚乙二醇為輔料氟替卡松丙酸酯氣霧劑製劑)	PRC	201110322180.1	Our Company	October 20, 2031
Utility model					
1. . .	A Valve Capsule Device (一種活瓣囊體裝置)	PRC	202222871059.0	Our Company	October 27, 2032
2. . .	Inhalation Device (吸入裝置)	PRC	202120665155.2	Our Company	March 29, 2031
3. . .	Lung Decompression System to Prevent Polyp Embedding (防止息肉嵌入的肺減容系統)	PRC	202120510144.7	Our Company	March 9, 2031
4. . .	An Automatic Capping Device for Inhalation Preparation Filling (一種吸入製劑灌裝的自動壓蓋裝置)	PRC	201920212055.7	Our Company	February 18, 2029
5. . .	A Production Line for Inhalation Preparation Filling (一種吸入製劑灌裝生產線)	PRC	201920227456.X	Our Company	February 18, 2029
Appearance design					
1. . .	Inhaler (吸入器)	PRC	202130331994.6	Our Company	May 31, 2036

(iii) Copyrights

As of the Latest Practicable Date, we had registered the following artwork copyrights which we consider to be material to our business:

No.	Copyright	Place of Registration	Registered Owner	Registration Number	Registration Date
1.	CF PharmTech New Logo (長風藥業新logo)	PRC	Our Company	蘇作登字-2020-F-00158713	August 21, 2020
2.	Sufiamin Logo (舒霏敏logo)	PRC	Our Company	蘇作登字-2022-F-00253558	September 29, 2022
3.	Sufemin Packing Box (舒霏敏包裝盒)	PRC	Our Company	蘇作登字-2022-F-00253557	September 29, 2022
4.	Changqi Logo (暢起logo)	PRC	Our Company	蘇作登字-2022-F-00253560	September 29, 2022
5	Changqi Packing Box (暢起包裝盒)	PRC	Our Company	蘇作登字-2022-F-00253562	September 29, 2022
6.	Changshu Logo (暢抒logo)	PRC	Our Company	蘇作登字-2022-F-00253561	September 29, 2022
7.	Changshu Packing Box (暢抒包裝盒)	PRC	Our Company	蘇作登字-2022-F-00253563	September 29, 2022

(iv) Domain Name

As of the Latest Practicable Date, we owned the following domain name, which we consider to be or may be material to our business:

No.	Domain Name	Registration Owner	Expiry Date
1.	www.cfpharmtech.com	Our Company	July 11, 2026

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights that were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors and Supervisors

(i) Disclosure of Interests

Saved as disclosed below, immediately following completion of the [**REDACTED**] and the Conversion of Unlisted Shares into H Shares (assuming that the [**REDACTED**] is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded 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 Companies contained in the Listing Rules (for this purpose, the relevant provisions of the SFO will be interpreted as if they apply to the Supervisors).

					Shares interested in immediately following the completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised)		
Name	**Positions**	**Nature of Interest[1]**	**Description of Shares**	**Number of Share interested in as of the Latest Practicable Date**	**Number**	**% of shareholding in the Unlisted Shares/ H Shares (as appropriate)[2]**	**% of shareholding in the total issued share capital of our Company[2]**
Dr. LIANG[3]	Chairperson of the Board, executive Director and chief executive officer	Interested in controlled corporation	Unlisted Shares	77,086,509	30,834,604	[**REDACTED**]%	[**REDACTED**]%
			H Shares	–	46,251,905	[**REDACTED**]%	[**REDACTED**]%
		Interests held jointly with another person	Unlisted Shares	23,964,547	9,585,819	[**REDACTED**]%	[**REDACTED**]%
			H Shares	–	14,378,728	[**REDACTED**]%	[**REDACTED**]%
Dr. LI LI BOVET[3]	Executive Director and chief scientific officer	Interested in controlled corporation; interest of spouse	Unlisted Shares	23,964,547	9,585,819	[**REDACTED**]%	[**REDACTED**]%

Name	Positions	Nature of Interest[1]	Description of Shares	Number of Share interested in as of the Latest Practicable Date	Shares interested in immediately following the completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised)		
					Number	% of shareholding in the Unlisted Shares/ H Shares (as appropriate)[2]	% of shareholding in the total issued share capital of our Company[2]
			H Shares	–	14,378,728	[**REDACTED**]%	[**REDACTED**]%
		Interests held jointly with another person	Unlisted Shares	77,086,509	30,834,604	[**REDACTED**]%	[**REDACTED**]%
			H Shares	–	46,251,905	[**REDACTED**]%	[**REDACTED**]%
Ms. ZHU Yuyu[4][6][7] . .	Executive Director, deputy general manager and secretary of the Board	Interested in controlled corporation	Unlisted Shares	12,229,959	4,891,983	[**REDACTED**]%	[**REDACTED**]%
			H Shares	–	7,337,976	[**REDACTED**]%	[**REDACTED**]%
		Others**	Unlisted Shares	480,662	192,264	[**REDACTED**]%	[**REDACTED**]%*
			H Shares	–	288,398	[**REDACTED**]%	[**REDACTED**]%
Ms. CHENG Xiangfeng[5][6] .	Supervisor	Interested in controlled corporation	Unlisted Shares	10,791,401	4,316,560	[**REDACTED**]%	[**REDACTED**]%
			H Shares	–	6,474,841	[**REDACTED**]%	[**REDACTED**]%
		Others**	Unlisted Shares	177,802	–	[**REDACTED**]	[**REDACTED**]
			H Shares	–	177,802	[**REDACTED**]%*	[**REDACTED**]%*

* [**REDACTED**]

** denotes interested in a limited partnership as a limited partner

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 109,754,801 Unlisted Shares and [**REDACTED**] H Shares in issue immediately upon completion of the [**REDACTED**] and the Conversion of Unlisted Shares into H Shares (assuming the [**REDACTED**] is not exercised).

(3) Details of interest of Dr. LIANG and Dr. LI LI BOVET are set out in "Substantial Shareholders" of this document.

(4) Ms. ZHU Yuyu is interested in 12,710,621 Shares, consisting of (i) 10,791,401 Shares held by Meimin Investment; (ii) 1,438,558 Shares held by Shengyuan Investment; and (iii) 480,662 Shares held through Suzhou Minmei as its limited partner.

(5) Ms. CHENG Xiangfeng is interested in 10,969,203 Shares, consisting of (i) 10,791,401 Shares held by Meimin Investment; and (ii) 177,802 Shares held through Suzhou Wolun as its limited partner.

(6) Meimin investment, a limited partnership established in the PRC, is jointly managed by its three general partners, two of which are Ms. ZHU Yuyu and Ms. CHENG Xiangfeng. As such, under the SFO, each of Ms. ZHU Yuyu and Ms. CHENG Xiangfeng is deemed to be interested in the Shares held by Meimin Investment.

(7) Shengyuan Investment, a limited partnership established in the PRC, is managed by its general partner, Ms. ZHU Yuyu. As such, under the SFO, Ms. ZHU Yuyu is deemed to be interested in Shares held by Shengyuan Investment.

(ii) Particulars of Service Contracts

Each of our Directors and Supervisors [has entered into] a service contract with our Company. The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following their respective appointment date; and (b) each of the agreements is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(iii) Directors' and Supervisors' Remuneration

For details of the Directors' and Supervisors' remuneration, see "Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Five Highest Paid Individuals" of this document.

2. Substantial Shareholders

(i) Interest in the Shares of Our Company

For information on the persons who will, immediately following the completion of the [**REDACTED**], having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be entitled to exercise, or control the exercise of, 10% or more of the voting power at any meeting of our Company, see "Substantial Shareholders."

Save as disclosed in the section headed "Substantial Shareholders" in this document, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [**REDACTED**], having or be deemed or taken to the beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company.

(ii) Interest in the Shares of Our Company's Subsidiaries

As of the Latest Practicable Date, so far as our Directors are aware, no person (other than our Directors or chief executive of our Company) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other member of our Group.

3. Disclaimers

(i) Save as disclosed in "History, Development and Corporate Structure" and this Appendix, none of our Directors, Supervisors or any of the parties listed in "— E. Other Information — 7. Consents of Experts" in this section:

(a) is interested in our promotion, or in any assets which, within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company; or

(b) is materially interested in any contract or arrangement subsisting at the date of this document that is significant in relation to our business;

(ii) Save as disclosed in this Appendix and in connection with the [**REDACTED**], none of the parties listed in "— E. Other Information — 7. Consents of Experts" in this section:

(a) is interested legally or beneficially in any Shares in any member of our Group; or

(b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(iii) None of our Directors or Supervisors or their close associates or any Shareholders of our Company who, to the knowledge of our Directors, owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and

(iv) Save as disclosed in this Appendix and in "Substantial Shareholders," none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are [**REDACTED**] on the Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. EMPLOYEE INCENTIVE SCHEME

The Employee Incentive Scheme, adopted in February 2014, and last revised in September 2024. Each of Suzhou Minmei, Suzhou Yuanchen, Suzhou Wolun, Suzhou Yuansheng and Suzhou Dachen was established in the PRC as our employee incentive platforms to implement the Employee Incentive Scheme. The Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the granting of Shares or options by our Company to subscribe for Shares after the [**REDACTED**]. Since the underlying Shares under the Employee Incentive Scheme have already been issued, there will be no dilutive effect on the issued Shares upon the vesting of Incentive Awards (as defined below) under the Employee Incentive Scheme.

As of the Latest Practicable Date, our employee incentive platforms, in aggregate, held 50,957,464 Shares in our Company, representing 13.7% of the share capital of our Company, of which a total of 43,394,188 Shares were to implement the Employee Incentive Scheme and the 7,563,276 Shares were personal interests of Dr. LIANG (held through Suzhou Pyramid) and Dr. LI LI BOVET (held through Suzhou Meizhongrui), which were not subject to the Employee Incentive Scheme. For details of our employee incentive platforms, see "History, Development and Corporate Structure — Corporate Development and Major Shareholding Changes of Our Company — Employee Incentive Platforms."

1. Purpose

For the purpose of establishing long-term incentive mechanism of our Company, strengthening our corporate governance structure, mobilizing the enthusiasm and creativity of our management, and enhancing our sustainability and profitability, our Company adopted the Employee Incentive Scheme.

2. Participants

The eligible participants of the Employee Incentive Scheme include senior management members and employees deemed suitable by the management of our Company (the "**Participants**").

3. Administration

The Board shall be responsible for managing, interpreting and implementing the Employee Incentive Scheme, and amending or formulating implementation rules for the Employee Incentive Scheme without causing any material change to the key terms.

Our co-founders, namely Dr. LIANG and Dr. LI LI BOVET, and other persons authorized by them (collectively, the "**Administrator**"), shall be responsible for dealing with the unspecified issues arising in the course of implementation of the Employee Incentive Scheme on the basis of actual conditions, and, when necessary, proposing to the Board to make alteration to the Employee Incentive Scheme.

4. Form of the Employee Incentive Scheme

The Participants, as partners of the employee incentive platforms, which are in the form of limited partnerships, shall subscribe for the capital contribution of the limited partnership interest, or, as the case may be, general partnership interest, by methods as stipulated in the Employee Incentive Scheme, thereby indirectly holding the Shares of our Company by virtue of their capacity as a partner of the relevant employee incentive platform.

5. Total Number of the Underlying Shares of the Incentive Awards

Participants shall be interested in a total of 43,394,188 Shares through holding the limited partnerships (the "**Incentive Awards**") in the employee incentive platforms, representing 11.7% of the share capital of our Company in issue immediately prior to the [**REDACTED**].

6. Type, Grant and Consideration of the Incentive Awards

The type of Incentive Awards under the Employee Incentive Scheme includes (i) Incentive Awards granted to co-founders (the "**Founders Awards**"), (ii) Incentive Awards granted based on special contribution (the "**Contribution Awards**"), (iii) Incentive Awards granted based on positions (the "**Position Awards**"), (iv) Incentive Awards granted based on special nomination of co-founders (the "**Nomination Awards**"), (v) Incentive Awards granted based on milestones (the "**Milestone Awards**"), and (vi) Incentive Awards transferred from other Participants (the "**Transfer Awards**"), following relevant procedures as stipulated in the Employee Incentive Scheme.

Apart from the Founders Awards, the Administrator will determine the types of Incentive Awards to be granted to a Participant in accordance with, among others, their position, work performance and contribution to our Company and such Incentive Awards shall be granted through the transfer of partnership interests held by Suzhou Pyramid and/or Suzhou Meizhongrui in employee incentive platforms.

The consideration for each type of the Incentive Awards is stated as below:

Type	Consideration
Founders Awards	Subscription price of underlying Shares paid by the relevant employee incentive platforms.
Contribution Awards	RMB1.0 for each grant
Position Awards	RMB1.0 per underlying Share
Nomination Awards	RMB1.0 per underlying Share
Milestone Awards	RMB1.0 per underlying Share
Transfer Awards	Determined in accordance with the rules of the Employee Incentive Scheme

7. Vesting of the Incentive Awards

The underlying Shares corresponding to the Incentive Awards are subject to the following vesting schedule and conditions:

Type	Vesting schedule and conditions
Founders Awards	Vesting immediately upon grant
Contribution Awards	Vesting upon the Participant's completion of special contribution targets set forth in the Employee Incentive Scheme
Position Awards	Vesting over a five-year period following the Participant's fulfillment of the employment duration requirements for their position set forth in the Employee Incentive Scheme, with 4.0%, 12.0%, 20.0%, 28.0% and 36.0% of the Incentive Awards vesting in each year thereafter
Nomination Awards	Vesting upon the sixth anniversary of the date on which the Participant fulfills the employment duration requirement for their position set forth in the Employee Incentive Scheme
Milestone Awards	Vesting upon Participant's achievement of milestone set forth in the Employee Incentive Scheme
Transfer Awards	Original vesting schedule of the Incentive Awards subject to the adjustments of the Administrator

8. Transfer of the Incentive Awards

The Participants shall not, directly or indirectly, transfer their Incentive Awards absent of the prior consent of Suzhou Pyramid, being the general partner of the relevant employee incentive platforms, during the date of grant to the [**REDACTED**].

9. Repurchase of the Incentive Awards

Where any of the following events occurs, Suzhou Pyramid and Suzhou Meizhongrui or the employees designated by Suzhou Pyramid (collectively, the "**Repurchaser**") have the right to repurchase the Incentive Awards held by the Participant(s):

(i) the employment relationship between the Participant and our Group is terminated due to the Participant's voluntary resignation or refusing to extend the existing employment contract;

(ii) the employment relationship between the Participant and our Group is terminated due to the Participant's incompetency to retain his/her position in our Group;

(iii) the employment relationship between the Participant and our Group is terminated due to mandatory retirement or other circumstances pursuant to applicable laws and regulations;

(iv) the Participant, who is a partner of our employee incentive platforms, dies, or is declared dead;

(v) the Participant loses ability of debt repayment;

(vi) the enterprise, as a partner of our employee incentive platforms and shareholding platform of the Participant, is deregistered, suspended, ordered to close, revoked, or declared bankrupt;

(vii) the partnership interest in our employee incentive platforms held by the Participant or enterprise which serves as a shareholding platform of the Participant, is under compulsory enforcement actions by the people's courts of the PRC;

(viii) the Participant violates his/her employment contract with our Group or professional ethics;

(ix) the Participant is in violation of the duty of loyalty to our Group;

(x) the Participant violates his/her obligations stipulated in the Employee Incentive Scheme or other provisions of the Employee Incentive Scheme; and

(xi) the Participant conducts other behaviors that violate his/her fiduciary duty to our Company.

Prior to the [**REDACTED**], where any of the above events occurs, Repurchaser have the right to repurchase the Incentive Awards held by the Participant, at a consideration with reference to, among others, the actual consideration paid by the Participant for the Incentive Awards, duration of holding such Incentive Awards by the Participant, vesting status of the Incentive Awards, dividends distributed during the term the Participant holding the Incentive Awards, and types of the Incentive Awards.

Upon the completion of the [**REDACTED**], (A) where any of the events stipulated in the above paragraphs (i) to (vii) occurs, the Shares corresponding to the vested Incentive Awards will be sold on the secondary market, with after-tax proceeds then being paid to the relevant Participants, while the Shares corresponding to the unvested Incentive Awards will be repurchased by Repurchaser at a consideration with reference to, among others, the actual consideration paid by the Participant for the Incentive Awards, duration of holding such Incentive Awards by the Participant, and the dividends distributed during the term the Participant holding the Incentive Awards; (B) where any of the events stipulated in the above paragraphs (viii) to (xi) occurs, Repurchaser has the right to repurchase the vested or unvested Incentive Awards held by the Participant, at a consideration with reference to, among others, the actual consideration paid by the Participant for the Incentive Awards, and the dividends distributed during the term the Participant holding the Incentive Awards.

10. Realization of the Incentive Awards

Subject to the conditions set forth in the Employee Incentive Scheme, the Participants shall be entitled to their own, and be entitled to benefit, the Shares corresponding to the Incentive Awards. Upon the vesting, the Shares corresponding to the Incentive Awards will be sold or cashed in the manner agreed, and the proceeds will be used to realize the limited partnership interests.

11. Adjustment of the Incentive Awards

The Board is entitled to the right to make corresponding adjustments to the number of Incentive Awards granted to Participants in the event that our Company undergoes changes in its share capital due to capitalization of capital reserve, placing, follow-on offering, or similar events.

12. Details of the Incentive Awards Granted Under the Employee Incentive Scheme

As of the Latest Practicable Date, all Incentive Awards under the Employee Incentive Scheme were granted. Details of the Incentive Awards granted to Directors, Supervisors, senior management or connected persons under the Employee Incentive Scheme are set out below:

			Incentive Awards held by the Participant corresponding to		
Name	**Position/connected relationship**	**Relevant employee incentive platforms**	**% of partnership interests in the relevant employee incentive platform**	**Number of Shares**	**% of shareholding in the total issued share capital immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)**
Directors, Supervisors or Senior Management Members					
Dr. LIANG	Chairperson of the Board, executive Director and chief executive officer	Suzhou Minmei	18.2%	3,824,275	[**REDACTED**]%
		Suzhou Yuanchen	38.7%	7,475,640	[**REDACTED**]%
		Suzhou Yuansheng	13.3%	223,406	[**REDACTED**]%
		Suzhou Dachen	17.7%	296,370	[**REDACTED**]%
		Suzhou Wolun	33.1%	3,495,017	[**REDACTED**]%
Dr. LI LI BOVET .	Executive Director and chief scientific officer	Suzhou Minmei	18.2%	3,824,275	[**REDACTED**]%
		Suzhou Yuanchen	38.7%	7,475,640	[**REDACTED**]%
		Suzhou Yuansheng	13.3%	223,408	[**REDACTED**]%
		Suzhou Dachen	17.7%	296,379	[**REDACTED**]%
		Suzhou Wolun	33.1%	3,495,017	[**REDACTED**]%
Dr. LI Qi	Executive Director, chief operating officer and president of pharmaceutical R&D	Suzhou Minmei	2.6%	559,817	[**REDACTED**]%
Ms. ZHU Yuyu . . .	Executive Director, deputy general manager and secretary of the Board	Suzhou Minmei	2.3%	480,662	[**REDACTED**]%
Ms. ZHANG Jingjing	Chairperson of the Supervisory Committee and Supervisor	Suzhou Yuanchen	0.4%	72,905	[**REDACTED**]%*
		Suzhou Wolun	0.5%	53,117	[**REDACTED**]%*
Ms. CHENG Xiangfeng	Supervisor	Suzhou Wolun	1.7%	177,802	[**REDACTED**]%*
Ms. KUAI Jingjing .	Supervisor	Suzhou Minmei	1.6%	342,485	[**REDACTED**]%
Mr. WEI Wei	Head of Finance	Suzhou Yuanchen	0.4%	72,000	[**REDACTED**]%*
		Suzhou Wolun	0.6%	66,394	[**REDACTED**]%*

			Incentive Awards held by the Participant corresponding to		
Name	**Position/connected relationship**	**Relevant employee incentive platforms**	**% of partnership interests in the relevant employee incentive platform**	**Number of Shares**	**% of shareholding in the total issued share capital immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)**
Connected Person					
Dr. Jean-Marc BOVET	Close associate of Dr. LI LI BOVET(1)	Suzhou Minmei	0.6%	135,655	[**REDACTED**]%*

* [**REDACTED**]

Note:

(1) Dr. Jean-Marc BOVET is the spouse of Dr. LI LI BOVET.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our financial condition or results of operations.

3. The Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the [**REDACTED**] for the [**REDACTED**] of, and permission to [**REDACTED**], the H Shares to be converted from Unlisted Shares and the H Shares to be issued pursuant to the [**REDACTED**]. All necessary arrangements have been made to enable our H Shares to be admitted into CCASS.

The Joint Sponsors confirm that they satisfy the independence criteria applicable to a sponsor set out in Rule 3A.07 of the Listing Rules.

The total amount of sponsor's fee paid and payable to each of the Joint Sponsors in connection with the [**REDACTED**] is US$500,000.

4. Compliance Advisor

Our Company has appointed Soochow Securities International Capital Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

6. Taxation of holder of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a 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 "Taxation and Foreign Exchange" in Appendix IV to this document.

7. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
CITIC Securities (Hong Kong) Limited . .	A licenced corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
CMB International Capital Limited.	A licenced corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Zhong Lun Law Firm	PRC Legal Advisors to our Company
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor

Name	Qualification
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Cushman & Wakefield Limited	Independent property valuer

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Promoters

The promoters of our Company are all of the 13 Shareholders of our Company as of June 8, 2016.

(i) Suzhou Pyramid Investment Management Enterprise (Limited Partnership) (蘇州嶺頭投資管理企業(有限合夥));

(ii) Suzhou Meizhongrui Investment Management Enterprise (Limited Partnership) (蘇州美中瑞投資管理企業(有限合夥));

(iii) Shanghai Sihong Investment Partnership (Limited Partnership) (上海思宏投資合夥企業(有限合夥)) (currently known as Shanghai Sihongda Enterprise Management Consulting Partnership (Limited Partnership) (上海思宏達企業管理諮詢合夥企業(有限合夥)));

(iv) Beijing SL Pharmaceutical Co., Ltd. (北京雙鷺藥業股份有限公司);

(v) Wuhu Ruiye Phase II Equity Investment Fund (Limited Partnership) (蕪湖瑞業二期股權投資基金(有限合夥));

(vi) Shanghai Jinshahe Equity Investment Enterprise (Limited Partnership) (上海金沙河股權投資企業(有限合夥)) (currently known as Shanghai Jinshahe Venture Capital Partnership (Limited Partnership) (上海金沙河創業投資合夥企業(有限合夥)));

(vii) Jilin National Biotech Industry Venture Capital Co., Ltd. (吉林省國家生物產業創業投資有限責任公司);

(viii) Suzhou Minmei Investment Management Enterprise (Limited Partnership) (蘇州閩美投資管理企業(有限合夥));

(ix) China-Singapore Suzhou Industrial Park Venture Co., Ltd. (中新蘇州工業園區創業投資有限公司);

(x) Suzhou Kaifeng Wansheng Venture Capital Partnership (Limited Partnership) (蘇州凱風萬盛創業投資合夥企業(有限合夥));

(xi) Wuxi Jinfeng Lingheng Investment Enterprise (Limited Partnership) (無錫金峰淩恆投資企業(有限合夥));

(xii) Beijing Galaxy Jixing Venture Capital Co., Ltd. (北京銀河吉星創業投資有限責任公司); and

(xiii) Mr. GUO Baiping.

Save as disclosed in "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 the promoters named above in connection with the [**REDACTED**] and the related transactions described in this document.

9. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. 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 in so far as applicable.

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial, trading position or prospects since December 31, 2024, being the date of our combined financial statements as set out in "Accountants' Report" in Appendix I to this document up to the date of this document.

12. Miscellaneous

(i) Save as disclosed in "History, Development and Corporate Structure" and this Appendix and in connection with the [**REDACTED**], within the two years immediately preceding the date of this document:

(a) no share or loan capital of our Company or any of its subsidiaries has been issued nor agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any Share or loan capital of our Company or any of our subsidiaries;

(c) no Share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option; and

(d) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions of any share in our Company or any of our subsidiaries;

(ii) We have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(iii) There are no arrangements under which future dividends are waived or agreed to be waived;

(iv) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(v) There have been no interruptions in our business which may have or have had a significant effect on our financial position in the 12 months preceding the date of this document;

(vi) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(vii) No part of the equity or debt securities of our Company or any member of our Group, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought; and

(viii) Our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in "Statutory and General Information — E. Other Information — 7. Consents of Experts" in Appendix VII to this document; and

(b) a copy of the material contract referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract" in Appendix VII to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.cfpharmtech.com** during a period of 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 audited financial statements of our Group for the three years ended December 31, 2024;

(d) the report on unaudited [**REDACTED**] financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this document;

(e) the legal opinions issued by Zhong Lun Law Firm, our PRC Legal Advisors in respect of certain matters of our Group in the PRC;

(f) the industry report prepared by F&S, the summary of which is set forth in "Industry Overview" in this document;

(g) the letter, summary of valuations and valuation certificates relating to certain property interests of our Company prepared by Cushman & Wakefield Limited, the texts of which are set out in Appendix III to this document;

(h) the material contract referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract" in Appendix VII to this document;

(i) the written consents referred to in "Statutory and General Information — E. Other Information — 7. Consents of Experts" in Appendix VII to this document;

(j) the service contracts referred to in "Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Directors and Supervisors — (ii) Particulars of Service Contracts" in Appendix VII to this document; and

(k) a copy of each of the PRC Company Law, the PRC Securities Law, the Trial Administrative Measures and the Guidelines on the Articles of Association of Listed Companies issued by the CSRC together with their unofficial English translations.