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Application Proof of

Ganzhou Hemay Pharmaceutical Co., Ltd.
贛州和美藥業股份有限公司

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

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GANZHOU HEMAY PHARMACEUTICAL CO., LTD.

贛州和美藥業股份有限公司

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

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Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment 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 Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.0 per H Share**
[REDACTED]	**:**	**[●]**

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

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IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

CONTENTS

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in investing in the* [**REDACTED**] *are set out in "Risk Factors" of this document. You should read that section carefully before you decide to invest in the* [**REDACTED**]. ***In particular, we are a biotech company seeking to*** [**REDACTED**] ***on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. Our Core Products are the products for the purpose of satisfying the eligibility requirements under Chapter 18A of the Listing Rules and Chapter 2.3 of the Guide for New Listing Applicants. We may continue to incur substantial costs and expenses in relation to R&D activities for the Core Products, and the Core Products may not be successfully developed or marketed. Your*** [**REDACTED**] ***decision should be made in light of these considerations.***

OVERVIEW

Established in 2002, we are a biopharmaceutical company dedicated to the discovery and development of self-discovered small-molecule drugs for autoimmune diseases and oncology. As of the Latest Practicable Date, our pipeline consists of seven small molecule drug candidates, including two Core Products, Mufemilast and Hemay022. Mufemilast has received NDA approval in China. For Hemay022, we were conducting a Phase III combination therapy clinical trial targeting advanced ER+/HER2+ breast cancer as of the Latest Practicable Date.

- **Mufemilast** is a self-discovered, small-molecule PDE4B expression blocker and PDE4 inhibitor with broad potential in autoimmune diseases. According to Frost & Sullivan, it is a global agent with a dual mechanism of action. Mufemilast has been approved for commercialization in China for the treatment of moderate to severe plaque psoriasis ("**Ps**"). As of the Latest Practicable Date, Mufemilast is also being evaluated in a pivotal Phase III trial for Behçet's Disease ("**BD**"). Phase II trials have been completed for ankylosing spondylitis ("**AS**"), with additional trials ongoing or planned for ulcerative colitis ("**UC**"), atopic dermatitis ("**AD**"), psoriatic arthritis ("**PsA**"), Crohn's disease ("**CD**"), and chronic obstructive pulmonary disease ("**COPD**"). The product has been granted orphan drug designation by the FDA for BD.

- **Hemay022** is a self-discovered, EGFR/HER2 dual-target small molecule inhibitor for advanced breast cancer. It acts by irreversibly inhibiting EGFR and HER2 signaling pathways. We obtained IND approval to commence Phase I clinical trial for Hemay 022 in tablet form in August 2014. We completed three Phase I clinical studies from October 2015 to January 2021. We commenced the Phase III clinical study in China for the use of Hemay022 for advanced ER+/HER2+ breast cancer in combination with endocrine therapy in January 2022. As of the Latest Practicable Date, the Phase III trial is ongoing.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR PIPELINE PRODUCTS, INCLUDING CORE PRODUCTS MUFEMILAST AND HEMAY022.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

The chart below sets out the R&D status of the drug candidates that we are developing internally as of the Latest Practicable Date. We strategically prioritize our resources for clinical development and commercialization of certain drug candidates, including our Core Products and Hemay 181.

Disease Area	Pipeline Code	Target/ Mechanism of Action	Indication	Competent Authority	Route of administration	Pre-clinical/ IND	Phase I	Phase II	Phase III	NDA	Expected upcoming Milestones/Current Status	Mono/ Combo	Commercial Rights
Autoimmune Disease/ Inflammatory Disease	Mufemilast**	PDE4B/ PDE4	Moderate to severe plaque Ps[9]	NMPA	p.o.						In September 2025, the NMPA approved the NDA for Mufemilast for the treatment of moderate to severe plaque Ps.	Mono	Global
			BD	NMPA							Ongoing Phase III clinical trial in China from November 2023 Pre-IND submission to FDA made in July 2023	Mono	Global
				FDA									
			Moderate to severe UC	NMPA							We plan to complete the Phase II clinical trial in the third quarter of 2026	Mono	Global
			Moderate to severe COPD	NMPA							We plan to complete the Phase II clinical trial in 2027	Mono	Global
			Moderate to severe CD	NMPA							We plan to initiate Phase II clinical trial in 2026	Mono	Global
			Moderate to severe AD	NMPA							Phase II clinical trial complete, pending issuance of final clinical trial report.	Mono	Global
			Moderate to severe PsA	NMPA							We plan to initiate Phase II/III adaptive clinical trial in 2026	Mono	Global
	Hemay007*[10][11]	TNF-α	Moderate to severe RA	NMPA	p.o.						We plan to complete the Phase II clinical trial in 2026	Mono	Global
	Hemay808*[11]	IgE/PDE4	Mild to moderate AD	NMPA	t.a.						We have completed Phase IIa clinical trial for AD in China. We plan to start Phase IIb clinical trial in China by second half of 2026, pending receipt of [**REDACTED**] from the [**REDACTED**].	Mono	Global
Tumor	Hemay022**[11]	EGFR/HER2	advanced ER+/ HER2+ breast cancer	NMPA	p.o.						We have completed the Phase Ib clinical trial in combination therapy targeting advanced ER+/HER2+ breast cancer; We plan to submit an NDA application in China in 2027.	combination therapy[6]	Global
	Hemay181*[8]	β-GU	Solid tumors	NMPA	injection						We are conducting Phase I and Phase Ib clinical trials in China and received FDA approval for a clinical trial in the U.S. in June 2023	Mono	Global
				FDA								Mono	Global
	Hemay5087	β-GU	Solid tumors	NMPA	injection						We plan to initiate a phase I clinical trial in the second quarter of 2026.	Mono	Global

(1) ** denotes our Core Products

(2) * denotes our key products

(3) We directly commenced or plan to directly commence a Phase II clinical trial of PsA, AS, AD, UC, COPD and CD by leveraging the Phase I clinical trial results of Ps in healthy subjects. Results of Phase I clinical trial of Ps were submitted to and approved by NMPA as basis for applications to commence clinical trials for PsA, AS, AD, UC, COPD and CD. Phase I clinical trials are typically conducted in healthy volunteers to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of a drug candidate. These objectives are generally consistent across indications and are not disease-specific. Accordingly, the Phase I clinical data generated from healthy subjects in the Ps trial were deemed sufficient to support the initiation of Phase II trials in these additional indications without the need to conduct separate Phase I studies for each. In each case, we have conducted, and will continue to conduct, such clinical development activities in consultation with, and subject to the requisite approvals from, the CDE of NMPA. As advised by our PRC Legal Advisor, there is no mandatory provision under applicable PRC laws and regulations requiring that a separate Phase I clinical trial must be conducted for each new indication, provided that the existing data are sufficient to support the safety and pharmacokinetic profile of the drug candidate. See "Regulatory Overview — PRC Laws and Regulations — Laws and Regulations in Relation to New Drugs — Phases of Clinical Trials" for details.

(4) Hemay022 does not require a Phase II clinical trial because NMPA has approved us to conduct phase III clinical trial based on the results of our Phase Ib clinical trial.

(5) Clinical trials of Hemay022 was approved as a combination therapy, while clinical trials of Mufemilast, Hemay007, Hemay181 and Hemay808 were conducted as monotherapy therapies.

(6) Combination therapy with Exemestane, Letrozole and Fulvestrant. See "Business — Our Clinical-Stage Drug Candidates — Hemay022 — Summary of Clinical Trials — Combination Therapies with Endocrine Therapy (Phase Ib)".

(7) p.o. = oral administration; t.a. = topical application.

(8) Hemay181 was developed in a research cooperation arrangement with Nankai University. The cooperative research arrangement focused on the development of novel immunotoxins and miniaturized antibody-drug conjugate drug candidates. Under the arrangement, Nankai University is responsible for executing the early-stage research plan, including compound identification and optimization while we have full control over patent applications and subsequent development. For further details, see "Business — Cooperation with Third Parties — Cooperation with Nankai University".

(9) Certain early-stage research activities, including regulatory coordination and funding support for Mufemilast, were conducted in cooperation with Zhuang Entities. We maintained sole, independent and effective control over all aspects of R&D and clinical development. Zhuang Entities did not participate in clinical trial implementation or technical development. For further details, see "Business — Cooperation with Third Parties — Our Historical Cooperation with Zhuang Entities".

(10) For Hemay007, both Phase II clinical trials were approved based on results derived from the same Phase I clinical trial, Hemay007AU01.

(11) We solely conducted research on the development of Hemay007, Hemay808 and Hemay022.

OUR CORE PRODUCTS

Mufemilast

Mufemilast is a self-discovered small-molecule drug candidate with a dual mechanism of action, functioning both as a blocker of PDE4B protein expression and as a PDE4 inhibitor. By reducing the overexpression and activity of PDE4B, Mufemilast decreases the hydrolysis of cAMP, leading to increased intracellular cAMP levels. This upregulation of cAMP activates protein kinase A (PKA), which inhibits the NF-κB signaling pathway and reduces the production of pro-inflammatory cytokines, including TNF-α, IL-23, IL-2, IL-12, and IFN-γ. Concurrently, Mufemilast stimulates the CREB signaling pathway, elevating anti-inflammatory cytokine IL-10 levels and suppressing immune and inflammatory responses.

Mufemilast is distinguished by its favorable safety profile: it does not readily cross the blood-brain barrier, thereby minimizing central nervous system side effects such as depression and suicidal ideation, and does not cause vasculitis. Its metabolism occurs through non-CYP450 pathways, resulting in a low risk of drug-drug interactions. Mufemilast is also considered safe for patients with latent tuberculosis infection (LTBI) and can be administered directly in this population. According to F&S, Mufemilast is globally among PDE4B-targeted therapies.

In respect of AS, we had conducted a Mufemilast Phase II clinical trial directed to its treatment. The clinical trial did not provide results sufficiently assuring to warrant an immediate follow-up. As a result, further development of this indication has been put on hold as we focus our resources on other indications with more promising outcomes. See "Business — Mufemilast —

Summary of Clinical Trials — AS (Phase II)" for further details. As of the Latest Practicable Date, the suspension or termination of the clinical program for treatment for AS of Mufemilast did not and is not expected to have any impact on other ongoing clinical indications of Mufemilast.

In September 2025, we obtained NDA approval from the NMPA for Mufemilast for the treatment of moderate to severe plaque Ps. We are preparing to launch Mufemilast in China for moderate to severe plaque Ps. See "- Commercialization" for our commercialization plan.

Addressable Markets and Competitive Landscape of Mufemilast for Moderate to Severe Plaque Ps and PsA

Ps treatment in China is tailored to disease type and severity. Moderate to severe cases and pustular or erythrodermic Ps require systemic therapies (traditional, biologics, or targeted small-molecule drugs) and phototherapy. The number of patients with moderate to severe plaque Ps was 3.2 million in 2024. This number is expected to be 3.2 million in 2028 and in 2032 at a CAGR of 0.3% from 2024 to 2028 and a CAGR of 0.2% from 2028 to 2032. For PsA, NSAIDs or DMARDs are first-line, but biologics and targeted small-molecule drugs are used if these are ineffective. Treatment selection is individualized based on patient symptoms and comorbidities.

According to Frost & Sullivan, China's Ps drug market size reached RMB18.2 billion in 2024, with a CAGR of 30.5% from 2019 to 2024. The market size will climb to RMB48.3 billion in 2028 and RMB87.1 billion in 2032, with a CAGR of 27.6% from 2024 to 2028 and 15.9% from 2028 to 2032. A variety of small-molecule therapies have been approved or are in development for the treatment of Ps in China. Approved treatments include AbbVie's Rinvoq® (upadacitinib), a JAK1 inhibitor, and BMS's Sotyktu® (deucravacitinib), a TYK2 inhibitor. In addition, several promising candidates are in clinical development stage, such as Janssen's JNJ-2113 (Icotrokinase), Takeda's TAK-279, and Hansoh Pharmaceutical's HS-10374, which target pathways like IL23R and TYK2. Other notable drugs in the pipeline include vTv Therapeutics' HPP737, and Simcere Pharmaceutical's SIM 0335, representing a range of mechanisms such as PDE4 and IKK, aimed at addressing the underlying inflammatory processes of Ps. As of the Latest Practicable Date, 17 targeted drugs for Ps treatment have been approved in China, comprising 5 small-molecule drugs and 12 biologics. For moderate-to-severe psoriasis, various systemic treatments are available, including retinoids, methotrexate, cyclosporine, and other immunosuppressants. These treatments are often used in combination with topical therapies. Biologics are another option, known for their rapid onset and good long-term efficacy. Apremilast, an oral small molecule targeted drug, has a faster onset of action compared to traditional oral medications, with effects seen within 2 weeks. It is notably recommended in the 2023 Chinese Psoriasis Treatment Guidelines, highlighting PDE4 inhibitor's importance in the treatment landscape.

Mufemilast is a differentiated product with broader action than biologics targeting a single cytokine pathway (IL-23, IL-17, TNF). As an oral small-molecule PDE4 inhibitor, Mufemilast offers significant convenience compared to injectable biologics. This oral administration aligns with patient preferences for the long-term management of chronic conditions like Ps by reducing the need for frequent medical visits and self-injections, which is crucial for enhancing treatment adherence.

Addressable Markets and Competitive Landscape of Mufemilast for BD

BD is incurable, and treatment focuses on controlling inflammation, preventing organ damage, and slowing disease progression. Management is individualized and includes general measures, local therapies (such as topical corticosteroids), and systemic drugs like NSAIDs, colchicine, immunosuppressants, and biologics. Biologics and combination immunosuppressive therapy are reserved for severe or refractory cases. Surgical intervention may be needed for complications such as gastrointestinal perforation or aneurysm.

According to F&S, the number of patients with BD around the world increased from 842,500 in 2019 to 1.1 million in 2024, with a CAGR of 3.8% from 2019 to 2024. The number of patients is expected to reach 1.2 million in 2028 and increase to 1.3 million in 2032 at a CAGR of 3.7% from 2024 to 2028 and a CAGR of 3.5% from 2028 to 2032. A variety of small-molecule therapies have been approved or are in development for the treatment of BD globally. Approved treatments include AbbVie's Humira® (adalimumab) and Janssen's Remicade® (infliximab), both targeting TNF-α, as well as Amgen's Otezla® (apremilast), a PDE4 inhibitor. In addition, several promising candidates are in clinical development stage, such as Galapagos' GLPG0634 (Filgotinib), and Soligenix's

SGX945 (Dusquetide), which target pathways like PDE4, JAK1, and SQSTM1, respectively. These therapies encompass a range of mechanisms designed to address the inflammatory processes underlying BD. As of the Latest Practicable Date, no targeted drugs for BD treatment have been approved in China. Apremilast is an oral phosphodiesterase-4 (PDE4) inhibitor that can effectively improve oral and external genital ulcers with minimal adverse reactions. Apremilast is recommended in EULAR recommendations for the management of Behçet's syndrome: 2025 update.

Addressable Markets and Competitive Landscape of Mufemilast for AS

According to F&S, based on epidemiology studies, the number of AS patients in China reached 4.0 million in 2024, with a CAGR of 0.3% from 2019 to 2024. The number of patients is expected to reach 4.0 million in 2028 and 4.1 million in 2032 at a same CAGR of 0.5% from 2024 to 2028 and from 2028 to 2032. A variety of small molecule therapies have been approved or are in development for the treatment of AS in China. Approved treatments include AbbVie's Rinvoq® (upadacitinib), a JAK1 inhibitor, and Pfizer's Xeljanz® (tofacitinib), which targets JAK1, JAK2, and JAK3. In addition, several drug candidates are in clinical development stage, such as Hengrui Medicine's SHR0302 at Phase III clinical trial, Suzhou Zelgen Biopharmaceuticals' Gecacitinib at Phase II clinical trial, and Simcere Pharmaceutical's LNK01001 at Phase II clinical trial, which target pathways like JAK1 and TYK2, and ALK2. As of the Latest Practicable Date, 12 targeted drugs for AS treatment have been approved in China, including three small-molecule drugs and nine biologics. Non-steroidal anti-inflammatory drugs (NSAID) are recommended as the first-line treatment and TNF inhibitors are the second-line treatment.

Addressable Markets and Competitive Landscape of Mufemilast for Moderate to Severe AD

AD treatment in China begins with fundamental measures, including patient education, daily moisturizers, and allergen avoidance. For mild AD (SCORAD < 25), topical corticosteroids, calcineurin inhibitors, or targeted drugs (PDE4/JAK inhibitors) are recommended, with oral antihistamines as needed. Moderate cases (SCORAD 25–50) may also require phototherapy (NB-UVB/UVA1) or biologic agents. Severe AD (SCORAD > 50) is managed with systemic immunosuppressants, biologics, short-term glucocorticoids for acute flares, and whole-body phototherapy. Treatment intensity and modality are adjusted according to disease severity and patient needs. As of the Latest Practicable Date, six targeted drugs for AD treatment have been approved in China, comprising four small-molecule drugs and two biologics. Different dosage form and strength of topical corticosteroids (TCS) are selected based on the severity of the condition. According to the Chinese guideline for diagnosis and treatment of atopic dermatitis, Local Topical Corticosteroids (TCS)/Topical Calcineurin Inhibitors (TCI) or topical targeted drugs (PDE4/JAK inhibitors) should be used. The number of patients with moderate to severe AD increased from 18.2 million in 2019 to 20.3 million in 2024, with a CAGR of 2.2% from 2019 to 2024, and is projected to reach 22.0 million in 2028 and 23.1 million in 2032.

Addressable Markets and Competitive Landscape of Mufemilast for Moderate to Severe UC

UC in China is diagnosed through clinical presentation, colonoscopy, and pathological examination. Mild cases are treated with 5-aminosalicylic acid (5-ASA) and steroids, while moderate UC may require additional immunosuppressants, thalidomide, infliximab, or granulocyte/monocyte apheresis. Severe UC is managed with intravenous glucocorticoids, ciclosporin, tacrolimus, or surgery. Maintenance therapy typically includes 5-ASA, thiopurine drugs, or infliximab. Treatment goals progress from achieving short-term clinical response to long-term mucosal healing confirmed by endoscopy. Approximately 69.7% of UC patients are in moderate to severe stage. The number of patients with moderate to severe UC in China increased from 278,900 in 2019 to 407,000 in 2024, with a CAGR of 7.8%. The number is expected to grow to 548,300 in 2028 and 737,100 in 2032, with a same CAGR of 7.7% between 2024 and 2028 and between 2028 and 2032.

Addressable Markets and Competitive Landscape of Mufemilast for COPD

For COPD, the main treatment method is to prevent and control chronic inflammation mainly by drug treatment, reduce the clinical symptoms of patients, and improve their life. At the same time, COPD patients can also be treated by rehabilitation, oxygen therapy and surgery.

See "Industry Overview" for detailed treatment options.

Hemay022

Hemay022 is a globally owned, Class 1 small-molecule inhibitor targeting both EGFR and HER2. As of the Latest Practicable Date, Hemay022 is undergoing a Phase III clinical trial in China in combination with aromatase inhibitors (exemestane or letrozole) for the treatment of advanced ER+/HER2+ breast cancer. We plan to submit a NDA application in China in 2027.

Hemay022 acts by irreversibly binding to EGFR and HER2, thereby inhibiting the PI3K/Akt and MAPK signaling pathways, which leads to suppression of tumor cell proliferation and metastasis, and promotes apoptosis. In hormone receptor-positive breast cancer, estrogen stimulates tumor growth. Aromatase inhibitors reduce estrogen production, and when combined with Hemay022, this dual approach targets both hormone- and receptor-mediated pathways, helping to delay the development of acquired resistance in ER+/HER2+ patients.

Key advantages of Hemay022 include:

- Encouraging efficacy and manageable toxicity as an irreversible tyrosine kinase inhibitor.
- Clinical benefit in a precisely defined patient population.

The incidence of BC in China was 372,700 new cases in 2024. The number is set to grow to 390,800 by 2028 and 402,400 by 2032 with a CAGR of 1.2% from 2024 to 2028 and 0.7% from 2028 to 2032. A variety of small molecule therapies have been approved or are in development for the treatment of breast cancer in China, targeting EGFR and HER2 pathways.

HER-2 positive breast cancer treatment in the CSCO guideline is stratified by prior therapy and response. For trastuzumab-sensitive patients, first-line therapy includes taxane-based regimens with dual HER2 blockade (trastuzumab and pertuzumab) or pyrotinib. Upon trastuzumab failure, options such as pyrotinib plus capecitabine, T-Dxd, and T-DM1 are recommended. If TKI therapy fails, further lines include T-Dxd, T-DM1, or alternative HER2-targeted combinations with chemotherapy. Treatment selection is guided by previous drug exposure, aiming to maximize HER2 inhibition and clinical benefit. See "Industry Overview" for detailed treatment options.

As of the Latest Practicable Date, three EGFR/HER2 small-molecule targeted drugs (Lapatinib, Neratinib, Lapatinib) for BC treatment have been approved in China. All three of them were recommended for the treatment of HER2 positive breast cancer in the 2025 CSCO breast cancer treatment guideline.

OUR CLINICAL STAGE CANDIDATES

Hemay007

Hemay007 is screened from a compound library directed by multiple pharmacological functional substructures and is a TNF-α small molecule regulator. In the spontaneous UC monkey model, Hemay007 reduced the number of ulcers in the colons of the testing subjects, and pathological examinations of the intestines after treatment revealed that the colon tissue almost returned to a normal state. As of the Latest Practicable Date, we have completed the Phase II clinical trial for monotherapy for UC. A Phase II clinical trial for rheumatoid arthritis (RA) is ongoing. For phase II clinical trial of Hemay007 for UC at week 12, clinical response rates, as evaluated by both central laboratory and principal investigator (PI) assessments, there was no statistically significant differences across all groups in both the FAS and PPS populations ($P > 0.05$ for all comparisons). Clinical remission rates at Week 12 were also comparable among the treatment and placebo groups, with no statistically significant differences observed. Currently, we do not have a definitive timetable for the next steps in UC. We plan to prioritize the development of clinical trials of Mufemilast due to our limited financial resources. Thus, the issuance of the Phase II clinical trial report for RA will be paused as of the Latest Practicable Date.

Hemay808

Hemay808 is a molecular entity targeting IgE and PDE4. Through topical administration, this compound maintains effective therapeutic concentrations in target tissues while significantly reducing systemic exposure and toxicity risks, achieving an optimized balance between efficacy and

safety. For Hemay808, the Phase IIa clinical trial for atopic dermatitis in China has been completed, and a Phase IIb clinical trial is planned to begin in China by second half of 2026, pending receipt of [**REDACTED**] from the [**REDACTED**]. For phase IIa clinical trial of Hemay808 for AD, following 29 days of treatment, there were no statistically significant differences among the vehicle, low-, medium-, and high-dose groups in mean change from baseline in EASI score (all $P > 0.05$). The Hemay808 medium-dose group demonstrated a consistent trend toward greater efficacy compared to placebo across various efficacy endpoints, including EASI score, IGA, DLQI, and NRS, with a favorable safety profile. Therefore, we expect to choose the dose of medium-dose group of Hemay808 (3% concentration) for further clinical investigation.

Hemay181

Hemay181 is a potential first in class Topoisomerase I target SDC drug with a mechanism of action. It is the first clinical-stage SDC drug globally or in China that is activated by β-GU in the tumor microenvironment, offering broad-spectrum anti-tumor potential. After administration, Hemay181 demonstrated a metabolic stability during systemic circulation. Upon reaching the tumor site, β-GU cleaves Hemay181, releasing the cytotoxic drug SN38, which is then internalized by cancer cells to exert its toxic effects.

As of the Latest Practicable Date, we were conducting Phase I clinical trial in China to evaluate the safety, tolerability, pharmacokinetic profile, and preliminary anti-tumor efficacy of Hemay181. As of the Latest Practicable Date, we were conducting a Phase Ib to evaluate the antitumor efficacy of Hemay181 in patients with advanced solid tumors and to evaluate the safety of Hemay181 in patients with advanced solid tumors.

COMPETITIVE LANDSCAPE

We face evolving competitive landscapes in the autoimmune disease and oncology drug markets. The psoriasis drug market in China is characterized by intense competition as there are 17 approved targeted therapies in China including Apremilast with the same target as our Core Product, and drug such as Adalimumab targeting TNF-α, and drugs have better performance than Apremilast. See "Industry Overview — Competitive Landscape of Innovative Drugs for Psoriasis Treatment in China and — Psoriasis (Ps) Drug Market". Notwithstanding the competitive landscape, we believe Mufemilast is well-positioned due to its features and advantages. See "Business — Our Clinical-Stage Drug Candidates — Mufemilast — Features and Advantages of Mufemilast" for details." According to F&S, currently, China's oncology market is dominated by chemotherapy drugs. China's oncology drug market's growth is primarily driven by: (i) an increasing number of cancer patients and longer survival times; (ii) rising clinical needs; (iii) favorable government policies; and (iv) the expansion of the National Reimbursement Drug List (NRDL). In oncology, according to F&S, the new cases of total cancer in China grew to 5.0 million in 2024 from 0.5 million in 2019 with the CAGR of 2.2%. The number of new cases will increase to 5.4 million in 2028 and 5.7 million in 2032 with the CAGR of 1.7% from 2024 to 2028 and 1.5% from 2028 to 2032. Breast cancer, one of our key focus areas, is among the top five cancers globally by incidence. These trends underscore the importance of our continued investment in Hemay022 and Hemay181. See "Industry Overview" for more details.

OTHER DRUG CANDIDATES

As of the Latest Practicable Date, we had a pipeline of two other drug candidates. Hemay183 and Hemay5087 are broadspectrum anti-tumor drugs. They were primarily used for the treatment of advanced solid tumors. As of the Latest Practicable Date, we were conducting preclinical studies for Hemay183. We have received the approval to conduct the phase I clinical trial of Hemay5087 from the NMPA in February 2026 and were initiating the clinical trial.

RESEARCH AND DEVELOPMENT

We have made significant efforts in identifying, developing, and commercializing biotechnology and other pharmaceutical drug candidates. Our integrated R&D capabilities are demonstrated by a proven track record of success, including the successful development of Mufemilast, a small-molecule PDE4B protein expression blocker and PDE4 inhibitor, which has received NDA approval in China for the treatment of moderate to severe Ps. As of the Latest Practicable Date, we have developed a robust pipeline of seven drug candidates. Our R&D strategy is centered on a disciplined approach to portfolio management, prioritizing our Core Products — Mufemilast and Hemay022 — and key oncology asset Hemay181. This focus is reflected in our

R&D investment, where these three products together accounted for approximately 76.0% of our total R&D expenses during the Track Record Period. We manage our pipeline progress through active monitoring of trial progress, disciplined capital allocation, and a local-first geographic strategy.

Pipeline Progress and Portfolio Management

Our R&D strategy is centered on a disciplined approach to portfolio management. We prioritize our Core Products — Mufemilast and Hemay022 — and key oncology asset Hemay181, which together accounted for approximately 76.0% of our total R&D expenses during the Track Record Period. This focused strategy involves active monitoring of trial progress, disciplined capital allocation, and a local-first geographic strategy. This has led us to make strategic decisions to optimize our portfolio, such as deprioritizing the development of Mufemilast for the treatment of AS and Hemay007 for UC to focus resources on more promising candidates. Our current R&D capabilities are also built upon foundational research conducted between 2002 and 2009, during which early pipeline assets were discontinued, such as Hemay014 and Hemay101/102, due to factors such as partner funding constraints, allowing us to refine our strategic focus. For a detailed discussion of our portfolio management, historical development, and discontinued projects, see "Business — Research and Development." As of the Latest Practicable Date, save for Mufemilast's treatment for AS, none of the clinical programs of the Core Product have been suspended or terminated due to unsatisfactory efficacy or safety results. This decision reflects the Group's strategic focus on indications with greater clinical and commercial potential. For further details on our portfolio management and historical development, see "— Pipeline Progress and Portfolio Management" and "— Historical Development (2002-2009) and Discontinued Projects."

Our R&D Team and Capabilities

Our core R&D personnel consists of four members covering the fields of chemistry, biology, pharmacology and medicine, each with over 20 years of experience in biomedical or pharmaceutical research. Our research, development and clinical trial team consisted of 129 members as of December 31, 2025. As of December 31, 2025, 69.4% and 77.8% of the employees of our research and development team and clinical team, respectively, held bachelor's degrees or above. Leaders of these team generally have extensive professional experience from global big pharma or leading Chinese pharma companies. We have a dedicated R&D center in Tianjin where Hemay Bio-Tech was first established in 2002. Our principal R&D operations have remained there since. This center is responsible for all research activities related to our drug candidates. We have built an experienced R&D team by leveraging Tianjin's talent pool and university resources. The city's geographical advantages also support collaboration and clinical trial management, making Tianjin our primary R&D center. See "Business — Research and Development — Our R&D Center" for more details.

R&D Expenses

In 2024 and 2025, our research and development costs amounted to RMB97.0 million and RMB90.3 million, respectively, amounting to 74.0% and 65.8%, respectively, of our operating expenses (calculated by the sum of (i) selling and marketing expenses, (ii) general and administrative expenses and (iii) research and development expenses) for the same periods, reflecting our continued investment in innovation and drug discovery. In 2024 and 2025, R&D expenses directed to Mufemilast were RMB58.5 million and RMB55.6 million, respectively. Our research and development expenses attributable to Hemay022 decreased from RMB12.4 million in 2024, representing 12.7% of total R&D expenses, to RMB6.3 million in 2025, representing 7.0% of total R&D expenses. We do not anticipate that the Phase III clinical trial of Hemay022 will terminate nor suspend, because (i) the clinical trial has enrolled 212 subjects as of the Latest Practicable Date, accounting for more than 60% of the planned enrolment; and (ii) we have invested in substantial amount of funds in the clinical trial. We have not identified any factor that we consider warrant the suspension or termination of the clinical program of Hemay022 as of the Latest Practicable Date.

Our Platform

We have built an integrated technology system that spans the entire process of small molecule drug development, from the early R&D stage to industrialization. This system includes: (i) a modular compound library construction platform focused on multiple pharmacological Targets; (ii)

pathogen-driven biomarker animal model screening platform for efficient drug candidate evaluation; (iii) a tumor microenvironment activation substructure combination chemotherapy drug design platform; and (iv) a differentiated clinical design platform to support effective clinical trials. These capabilities enable us to continuously advance our pipeline and bring treatments to market, addressing medical needs in China and beyond.

OUR COMPETITIVE STRENGTHS

We believe that several key competitive advantages have contributed to our success and will continue to differentiate us from our peers: (i) focusing on treatments for autoimmune diseases and oncology, which offer significant market potential; (ii) commercial-scale in-house manufacturing capabilities; and (iii) an experienced management team supported by renowned investors.

OUR STRATEGIES

We intend to capitalize on our competitive strengths by pursuing the following development strategies: (i) accelerate clinical development of Mufemilast across multiple indications to strengthen market influence and industry position; (ii) advance clinical development of Hemay022 and Hemay181 to build a globally competitive pipeline; (iii) optimize commercialization infrastructure, focusing on Mufemilast's upcoming approval for Ps; (iv) expand manufacturing facilities to support commercialization, enhance supply capabilities and optimize manufacturing processes; (v) strengthen R&D capabilities to drive innovation and ensure a sustainable product pipeline; (vi) attract and motivate diverse talent aligned with growth objectives; and (vii) enhance domestic and international business development to drive global expansion.

COOPERATION WITH THIRD PARTIES

We have entered into research collaborations with both the Zhuang Entities and, an Independent Third Party, Nankai University.

Our historical cooperation with the Zhuang Entities, which lasted from 2003 to 2020, primarily involved early-stage funding and regulatory coordination support, which included works such as submitting regulatory documents and accompanying on-site inspections conducted by the regulatory authorities, for the development of Mufemilast. Throughout this cooperation, we retained sole, independent and effective control over all aspects of the research and development of Mufemilast. The Zhuang Entities did not participate in the clinical trial implementation, protocol design, data analysis or any other technical development activities. Following the termination of the cooperation, we have continued to independently advance the development of Mufemilast across multiple indications. We do not have any profit-sharing agreement with any Zhuang Entities as of the Latest Practicable Date; and, we are not aware of any profit-sharing claim from Zhuang Entities against our Group in connection with patent rights relating to the Core Products and other product candidates. During 2003 to 2020 and as of the Latest Practicable Date, we do not have any disputes in relation to our collaboration on Mufemilast between the Company and the Zhuang Entities.

Since June 2017, we have been coordinating with Nankai University on the development of novel immunotoxins and miniaturized antibody-drug conjugate drug candidates. This cooperation is focused on early-stage research and compound identification. Nankai University is responsible for executing the research plan, while we retain full control over patent applications and subsequent development. This cooperation is not related to any of our Core Products.

See "Business — Cooperation with Third Parties" for further details.

PROCUREMENT AND SUPPLIERS

We procure equipment for the development and manufacture of our drug candidates from leading and reputable manufacturers and suppliers domestically. We purchase cell culture media one third-party supplier on a regular basis. We use CROs and consultants to manage, conduct and support our clinical trials in China. Our purchases include raw materials, third-party contracting services for research and development services, machines and equipment. For 2024 and 2025, purchases from our largest supplier accounted for approximately 29.6% and 19.7%, respectively, of our total purchases. For the same years, purchases from our five largest suppliers accounted for approximately 47.5% and 52.4%, respectively, of our total purchases.

Save for two suppliers, all our top five suppliers during the Track Record Period are Independent Third Parties, and none of our Directors, their respective associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) had any interest in any of our five largest suppliers during the Track Record Period.

MANUFACTURING

We have established commercial-scale in-house manufacturing capabilities to ensure stable and cost-controlled supply of active pharmaceutical ingredients, or APIs, and drug products. This integrated approach ensures stability and cost efficiency of clinical and commercial supply. Our Core Product, Mufemilast, received NDA approval from the NMPA for the treatment of moderate to severe plaque Ps, marking a critical milestone in its commercialization journey. Xiajiang Manufacturing Facility commenced its production in October 2022. Xiajiang Manufacturing Facility has a designed production capacity of approximately 5.8 tons per annum, of which approximately 1.4 tons per annum are currently operational as of the Latest Practicable Date. In 2024 and 2025, the utilization rate was 6.4% and 2.3%, respectively. The Xiajiang Manufacturing Facility is primarily responsible for the production of APIs and key intermediates, and as of the Latest Practicable Date, it was used exclusively for the production of the API for Mufemilast. The facility has passed inspection by the NMPA in connection with the NDA for Mufemilast, paving the way for its commercial manufacturing. The low utilization rate during the Track Record Period was primarily due to the early stage of commercialization of our Core Product, Mufemilast, and the limited clinical-scale production demand during the Track Record Period. The facility was mainly used for pilot-scale and clinical trial API production, and its output was aligned with the needs of our ongoing clinical development programs. Ganzhou Manufacturing Facility commenced its production in March 2021. It is equipped with three production lines: with a planned designed production capacity of 115 million tablets and 10 million ointments per annum. In 2024 and 2025, the utilization rate for tablets was 1.2% and 1.1%, respectively, calculated as the percentage of actual production volume over the design production capacity for the years indicated. In the same years, the utilization rate for ointments was nil and 1.0%, respectively. The low utilization rates of both manufacturing facilities did not have a material adverse impact on our operations or financial performance during the Track Record Period. While depreciation and fixed operating costs were incurred, we recognize the strategic value of maintaining in-house manufacturing capabilities, which support regulatory compliance, cost control, and supply chain autonomy. We believe that our manufacturing infrastructure positions us well for future scale-up and commercial expansion.

COMMERCIALIZATION

In September 2025, we obtained NDA approval from the NMPA for Mufemilast for the treatment of moderate to severe plaque Ps. We are preparing to launch Mufemilast in China for moderate to severe plaque Ps, and anticipate commencing commercial manufacturing at our Ganzhou Manufacturing Facility. We intend to conduct marketing and sales of Mufemilast through a dedicated commercialisation team. The success of our commercialization plan will depend on several factors, including timely regulatory and NRDL approval, effective dual-channel sales execution, robust commercial channel management, efficient hospital access and reimbursement support, a well-structured marketing team, awareness-building for follow-on indications, strong compliance systems, and the integration of AI and new media marketing strategies.

Our commercialization strategy adopts a dual approach, combining direct sales with collaboration with third-party contract sales organizations (CSOs). We plan to build an in-house sales force of approximately 80-85 members within one year of launch, focusing on coverage of 160-200 leading hospitals and key opinion leader institutions. Through CSO partnerships, we aim to reach an additional 500-800 hospitals, with staged expansion targets for 2026 and 2027. Our direct sales team will focus on 160-200 leading hospitals nationwide, targeting key opinion leader (KOL) institutions. In 2026, we aim to engage 30 to 40 target hospitals during the self-pay period, focusing on KOL institutions in key cities such as Beijing, Tianjin, Shanghai, and Hangzhou, and those involved in our clinical trials. To support this, we plan to recruit direct sales team members with prior experience and established connections with KOL institutions in these major cities.

We have formulated a pricing strategy for Mufemilast that reflects its differentiated clinical value, multi-indication potential, and competitive positioning in the autoimmune disease treatment landscape. Our pricing approach is anchored in a holistic approach, which considers not only the benchmark pricing of the first approved indication — moderate to severe plaque Ps — but also the anticipated market value of subsequent indications such as BD and UC.

In the Ps treatment market, Mufemilast offers a unique advantage as the only drug clinically validated for use in patients with latent tuberculosis infection, without requiring pre-treatment screening or therapy. According to F&S, approximately 0.6 million Ps patients in China tested positive for tuberculosis in 2024. This differentiation is expected to be a key commercial entry point.

We intend to set the initial commercial price of Mufemilast with reference to existing targeted therapies. For example, the annual treatment cost of deucravacitinib (brand name: Sotyktu), a small-molecule drug, was RMB52,735, while ustekinumab (brand name: Stelara), a biologic, was RMB239,700 at the time of launch in China. Taking into account Mufemilast's clinical advantages and broader indication potential, we aim to establish a price point that reflects its long-term market value while ensuring patient accessibility. We believe the proposed initial annual treatment cost may be set higher than deuterated deucravacitinib (brand name: Sotyktu) but below the biologic ustekinumab (brand name: Stelara). Furthermore, to broaden patient access, we consider that the initial annual treatment cost may be set at no more than one-half of the price of ustekinumab (i.e. from RMB52,735 to RMB119,850).

Following launch, we plan to actively pursue inclusion in the National Reimbursement Drug List ("**NDRL**") through negotiation with the National Healthcare Security Administration. Pricing adjustments will be made in response to regulatory feedback and market dynamics to achieve a balance between clinical value, patient access, and commercial sustainability. Should NRDL inclusion not be achieved as planned, we will adjust our pricing and commercialization approach to maintain patient access and market uptake during the self-pay period, while continuing to advance market education and support initiatives.

For details, see "Business — Our Product Pipeline — Our Clinical-Stage Drug Candidates — Commercialization and Clinical Development Plan."

INTELLECTUAL PROPERTY

The proprietary nature of, and protection for, our drug candidates and their methods of use are an important part of our strategy to develop and commercialize medicines, as described in more detail below. We have obtained patents and filed patent applications in China, the United States and other countries, relating to certain of our drug candidates, and are pursuing additional patent protection for them and for other of our drug candidates and technologies. We rely on trade secrets to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection including our manufacturing processes.

We also rely on know-how and continuing technological innovation to develop, strengthen and support our development programs. As of the Latest Practicable Date, we owned 9 issued patents in PRC, 16 issued patents in the U.S., 62 issued patents in other jurisdictions, and 66 patent applications in China, the U.S. and other jurisdictions in relation to our Core Products and key products and the technologies of our four technology platforms. With respect to any issued patents in the United States and Europe, we may be entitled to obtain a patent term extension to extend the patent expiration date provided we meet the applicable requirements for obtaining such patent term extensions.

We face potential risks in the development and commercialization of our Core Products and product candidates in overseas jurisdictions, particularly due to the absence of formal freedom-to-operate ("**FTO**") analyses outside China. We have not conducted FTO searches and analyses outside China. As of the Latest Practicable Date, our products are limited to Phase I clinical trials or preclinical stages outside China. The United States patent laws provide a safe harbor exemption under 35 U.S.C. § 271(e)(1), which excludes from patent infringement acts that are reasonably related to the development and submission of information required for regulatory approval of pharmaceuticals, including clinical trials conducted for such purposes. In Australia, we believe that our studies conducted there are likely to fall within the statutory exemptions under Australian patent law for certain experimental activities and, where applicable, certain acts undertaken solely for

purposes connected with obtaining regulatory approval of pharmaceutical products. On that basis, we believe that the risk of a successful patent infringement claim arising from those Australian studies is low. However, the availability of those exemptions depends on the specific nature and purpose of the relevant activities, and no assurance can be given that third parties will not assert infringement claims. Therefore, we do not expect to encounter infringement risks for these Phase I clinical trials or preclinical stages outside China. Our commercial plans outside China have not been fully confirmed at this stage. We will conduct FTO searches and analyses once the specific overseas countries and regions for commercialization are determined, and may adjust our clinical trial plans and commercialization strategies based on actual clinical progress. Nonetheless, the absence of FTO analysis at this stage presents a risk that third-party intellectual property rights may exist which could restrict our ability to develop, manufacture or commercialize our drug candidates in such jurisdictions. Any infringement claims or legal proceedings arising from such third-party rights could result in delays, increased costs, or the inability to commercialize our products overseas. These risks may materially and adversely affect our global expansion strategy and the commercial potential of our pipeline products.

SUMMARY OF KEY FINANCIAL INFORMATION

The summary of the key 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 Accountant's Report in Appendix I to this document, as well as the information set forth in the section headed "Financial Information."

Summary of Consolidated Statements of Comprehensive Income

The following table sets forth a summary of our consolidated statements of comprehensive income for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Other income	5,298	5,799
Selling and marketing expenses	(818)	(989)
General and administrative expenses	(33,304)	(45,978)
Research and development expenses	(96,987)	(90,275)
Other gains, net	3,963	2,414
Operating loss	(121,848)	(129,029)
Finance (costs)/income, net	(1,545)	(777)
Loss before income tax	**(123,393)**	**(129,806)**
Income tax expense	–	–
Loss for the year	(123,393)	(129,806)
Loss for the year attributable to:		
Owners of the company	(123,393)	(129,806)
Non-controlling interests	–	–
	(123,393)	**(129,806)**

We currently have no products approved for commercial sale and have not generated any revenue from product sales. We incurred operating losses during the Track Record Period. Our loss before taxation was RMB123.4 million and RMB129.8 million in 2024 and 2025, respectively. Substantially all of our loss resulted from research and development expenses, and general and administrative expenses. Our research and development expenses decreased from RMB97.0 million in 2024 to RMB90.3 million in 2025. This decrease was due to (i) a decrease in clinical research and service fees, primarily due to lower patient enrollment as the clinical trials of Mufemilast for Phase II UC, and the Phase I clinical trial of Hemay181 were substantially completed by the end of 2024, and the clinical trial of Phase III BD completed the majority of patient enrollment in 2024 with the remaining enrollment expected to be completed by the end of 2025; and (ii) a decrease in raw materials and consumables, as Mufemilast's Phase III clinical trial for Ps were completed in

2024 and Hemay022 patients were primarily in the safety follow-up period in 2025, resulting in lower clinical drug consumption, partially offset by (iii) an increase in outsourced R&D costs, reflecting research efforts for Mufemilast for new indications and Hemay5087.

The decrease in our clinical research and service fees during the Track Record Period was primarily due to reduced expenses associated with Phase II and Phase III clinical activities. The decrease in Phase III clinical research and service fees in 2025 compared to 2024 was primarily due to the completion of Phase III clinical trials of Mufemilast for Ps in 2024 and the BD phase III clinical trial completing the majority of patient enrollment in 2024 with the remaining enrollment expected to be completed by the end of 2025. Similarly, the decrease in Phase II clinical research and service fees in 2025 compared to 2024 was primarily due to the substantial completion of the Phase II clinical trial of Mufemilast for UC.

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Net cash used in operating activities	(91,258)	(81,203)
Net cash (used in)/generated from investing activities	83,888	(9,236)
Net cash generated from/(used in) financing activities	111,475	(1,958)
Net increase/(decrease) in cash and cash equivalents	**104,105**	**(92,397)**
Cash and cash equivalents at the beginning of the year	45,717	149,797
Effects of exchange rate changes on cash and cash equivalents	(25)	(8)
Cash and cash equivalents at the end of the year	**149,797**	**57,392**

Our primary use of cash was to fund clinical research and development of our drug candidates. Net cash used in operating activities was RMB91.3 million in 2024 and RMB81.2 million in 2025, mainly due to research and development expenses and general and administrative expenses, as we had no sales revenue during the Track Record Period. As our pipeline progresses and products gain regulatory approval, we expect to generate operating cash inflows, improving our cash flow position.

Our Directors are of the opinion that, taking into account the following financial resources available to us, including the cash and cash equivalents on hand, anticipated cash inflow from unutilized bank facilities and the estimated [**REDACTED**] from the [**REDACTED**], we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, general and administrative expenses, and selling and marketing expenses, for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, capital expenditures and lease payments including related interests. We estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] million in the [**REDACTED**], at an [**REDACTED**] of HK$[**REDACTED**] per Share. Assuming the average cash burn rate going forward is 1.5 times the cash burn rate in 2025, we estimate that our cash and cash equivalents and term deposit as of April 30, 2026 will be able to maintain our financial viability for approximately 10.4 months from April 30, 2026, without taking into account the estimated [**REDACTED**] from the [**REDACTED**], or, we estimate we will be able to maintain our financial viability for approximately [**REDACTED**] months from April 30, 2026, if we take into account the estimated [**REDACTED**] from the [**REDACTED**]. We will continue to monitor our cash flows from operations closely.

Summary of Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this document.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Total non-current assets	289,145	203,507
Total current assets	161,181	128,903
Total assets	**450,326**	**332,410**
Total non-current liabilities	(10,102)	(9,542)
Total current liabilities	(156,723)	(159,343)
Total liabilities	**(166,825)**	**(168,885)**
Net assets	**283,501**	**163,525**
Share capital	396,847	396,847
Reserves and accumulated losses	(113,346)	(233,322)
Total equity	**283,501**	**163,525**

Our net assets decreased from RMB283.5 million as of December 31, 2024 to RMB163.5 million as of December 31, 2025, primarily reflecting a reduction in total equity due to the recognition of a loss and total comprehensive loss of RMB129.8 million in 2025, partially offset by share-based payment expenses of RMB9.9 million.

Current Assets and Current Liabilities

We had net current assets of RMB4.5 million as of December 31, 2024 and net current liabilities of RMB30.4 million as of December 31, 2025. This reversal was primarily due to (i) a RMB92.4 million decrease in our cash and cash equivalents, mainly attributable to our research and development expenses and our general and administrative expenses; (ii) a RMB4.8 million decrease in our current prepayments and other receivables, primarily attributable to the recognition of research and development expenses in 2025 for prepayments for clinical research and services and outsourced research and development; and partially offset by a RMB65.0 million increase of our current term deposits, mainly attributable to the reclassification of long-term deposits.

Our net current liabilities further increased from RMB30.4 million as of December 31, 2025 to RMB60.6 million as of April 30, 2026, primarily due to (i) a RMB12.3 million decrease in our cash and cash equivalents and a RMB21.3 million decrease in our short-term time deposits, which were mainly attributable to net cash outflows from our daily operating activities; and (ii) a RMB4.2 million increase in our borrowings, mainly attributable to an increase of RMB65.6 million in our bank borrowings, partially offset by the repayment of RMB61.4 million in convertible bonds.

Key Financial Ratios

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

	As of December 31,	
	2024	2025
Gearing ratio[(1)]	21.6%	30.3%
Current ratio[(2)]	1.0	0.8

(1) Gearing ratio equals total debts, comprising current and non-current borrowings and lease liabilities, divided by total assets as of the end of the year indicated.

(2) Current ratio equals total current assets divided by total current liabilities as of the end of the year indicated.

Cash Operating Costs

The following table sets forth key information relating to our cash operating costs for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Costs relating to research and development of our Core Products		
Clinical trial and contracting costs	39,782	30,250
Staff costs	18,764	15,176
Raw materials and others	12,183	8,262
Subtotal	**70,729**	**53,688**
Costs relating to research and development of our other drug candidates		
Clinical trial and contracting costs	11,550	10,971
Staff costs	7,087	9,414
Raw materials and others	2,342	3,832
Subtotal	20,979	24,217
Workforce employment cost[(1)]	11,145	13,423
Total	**102,853**	**91,328**

(1) Workforce employment costs represent total non-research and development personnel costs, mainly including salaries and benefits.

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 the [**REDACTED**]. Some of the major risks that we face include: (i) We may be unable to obtain or experience delay in obtaining regulatory approval for our drug candidates; (ii) we may face intense competition and our competitors may discover, develop, or commercialize competing drugs more quickly and successfully than we do; (iii) our financial prospects depend on the success of our clinical-stage and pre-clinical stage product pipeline; (iv) if we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected; (v) clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results; (vi) if our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates; (vii) we may not be able to identify, discover, develop new drug candidates or to identify additional therapeutic opportunities for our drug candidates; (viii) our drugs may cause undesirable side effects; and (ix) we may not be successful in developing, enhancing or adapting to new technologies and methodologies.

As of the Latest Practicable Date, we have experienced slower-than-anticipated patient enrollment in the Phase III clinical trial of Hemay022, one of our Core Products, primarily due to intense competition for patient recruitment in the breast cancer therapeutic area. See "Risk Factors — Risks Relating to Pre-Clinical and Clinical Development of Our Drug Candidates — If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected." Our historical development activities illustrate the inherent risks and uncertainties in drug development. For example, we have made strategic decisions to suspend or deprioritize certain clinical programs, including Mufemilast for the treatment of AS and Hemay007 for RA, based on clinical data. These decisions, while critical for disciplined resource allocation, highlight the risk that our product candidates may not proceed as initially planned. "Risk Factors — Risks Relating to Pre-Clinical and Clinical Development of Our Drug Candidates — Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results."

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Dr. Zhang, through Ganzhou Hesheng and Ganzhou Heyi, and Ms. Guo (being Dr. Zhang's spouse), through Hong Kong Hemay and its holding companies, will indirectly control approximately [**REDACTED**]% and [**REDACTED**]% of the voting rights of our Company, respectively. Dr. Zhang and Ms. Guo have also entered into an acting in concert agreement pursuant to which they have confirmed that they have been and will continue to be parties acting-in-concert in relation to voting for corporate matters of our Group. Dr. Zhang and Ms. Guo, together with Ganzhou Hesheng, Ganzhou Heyi and Hong Kong Hemay and its holding companies, will be our Controlling Shareholders upon completion of the [**REDACTED**]. For details, see "Relationship with our Controlling Shareholders."

[**REDACTED**] INVESTORS

Throughout the development of our Company, we received five rounds of [**REDACTED**] Investments. The total funds raised from the [**REDACTED**] Investments were approximately RMB951.1 million, and the corresponding post-money valuation of our Company when we conducted the Series E Financing was RMB3.9 billion. Our diverse base of [**REDACTED**] Investors includes a Sophisticated Investor, Shanghai Cenova, which is expected to hold approximately [**REDACTED**]% of the issued share capital of our Company immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). Pursuant to applicable PRC laws, the [**REDACTED**] Investors shall not dispose of any H Shares held by them within 12 months following the [**REDACTED**]. For details, see "History, Development and Corporate Structure — [**REDACTED**] Investments."

DIVIDENDS

No dividend shall be declared or payable except out of our profits lawfully available for distribution.

We did not declare or pay any dividends during the Track Record Period and up to the Latest Practicable Date. Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisor, members of our Group incorporated in the PRC cannot pay dividends if such companies are in an accumulated loss position.

We currently do not have any dividend policy or fixed dividend pay-out ratio. See "Financial Information — Dividends"

[**REDACTED**]

USE OF [**REDACTED**]

We estimate that the [**REDACTED**] from this [**REDACTED**] will be approximately HK$[**REDACTED**] million after deducting [**REDACTED**] commissions and estimated [**REDACTED**] expenses, paid and payable by us in the [**REDACTED**] taking into account any additional discretionary [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range of HK$[**REDACTED**] per Share to HK$[**REDACTED**] per Share. We intend to use the [**REDACTED**] we will receive from this [**REDACTED**] for the following purposes:

(i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be used for the research and development and commercialization of our Core Product, Mufemilast;

(ii) approximately [**REDACTED**], or HK$[**REDACTED**] million will be used for the research and development and commercialization of our Core Product, Hemay022, for late-stage breast cancer;

(iii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be used for the ongoing and planned clinical trials of our key product, Hemay181;

(iv) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for the research and development of our other pipeline products, including preclinical and clinical trials for Hemay808, Hemay5087, and other of our product candidates, covering target research, pharmacology, toxicology, and pharmacokinetic studies; and

(v) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for our general corporate and working capital purposes.

[**REDACTED**]

Our [**REDACTED**] represent professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range, and no exercise of the [**REDACTED**], we estimate that our [**REDACTED**] will be approximately RMB[**REDACTED**] million, accounting for approximately [**REDACTED**]% of our [**REDACTED**]. Our estimated [**REDACTED**] mainly comprise (i) RMB[**REDACTED**] million of [**REDACTED**] related expenses (including but not limited to commissions and fees) and (ii) RMB[**REDACTED**] million of [**REDACTED**] expenses, including RMB[**REDACTED**] million of sponsor fees, RMB[**REDACTED**] million of fees and expenses of legal advisors, RMB[**REDACTED**] million of fees and expenses of the Reporting Accountant, and RMB[**REDACTED**] million of other fees and expenses. During the Track Record Period, we incurred [**REDACTED**] of RMB[**REDACTED**]million, which was charged to our consolidated statements of comprehensive income. We expect to incur additional [**REDACTED**] of approximately RMB[**REDACTED**] million after the Track Record Period, approximately RMB[**REDACTED**] million of which is expected to be charged to our consolidated statements of comprehensive income, and approximately RMB[**REDACTED**] million of which is attributable to the [**REDACTED**] of Shares and will be deducted from equity upon the completion of the [**REDACTED**]. The [**REDACTED**] above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENTS

We have received the approval to conduct the phase I clinical trial for Hemay5087 from the NMPA in February 2026 and were initiating the clinical trial. The enrollment of Phase III clinical trials BD for Mufemilast has completed.

On March 12, 2026, we repaid the Convertible Bonds in full.

The NMPA has approved our trial protocol of Mufemilast for Phase III UC in February 2026. We are in the process of planning such clinical trial as of the Latest Practicable Date.

After due and careful consideration, our 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, 2025, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this document.

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

"affiliate"	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
"Aile Zhide"	Chuzhou Aile Zhide Venture Capital Partnership (Limited Partnership) (滁州愛樂致德創業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on March 6, 2023, being our [**REDACTED**] Investor
"Anhui Hemay"	Anhui Hemay Pharmaceutical Co., Ltd. (安徽和美藥業有限公司), a limited liability company established under the laws of the PRC on May 24, 2023, being a wholly-owned subsidiary of our Company
"Anhui Jinrui"	Anhui Jinrui Investment Co., Ltd. (安徽金瑞投資集團有限公司), a limited liability company established under the laws of the PRC on September 14, 2001, being our [**REDACTED**] Investor
"Anxin Guosheng"	Chengdu Anxin Guosheng Weixin Pharmaceutical and Health Equity Investment Fund Partnership (Limited Partnership) (成都安信國生微芯醫藥健康股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on February 25, 2022, being our [**REDACTED**] Investor
"Articles of Association" or "Articles"	the articles of associations of our Company, as amended from time to time, which shall become effective on the [**REDACTED**], a summary of which is set out in Appendix VI to this document
"AUD"	Australian dollars, the lawful currency of Australia
"Audit Committee"	the audit committee of our Board
"Board" or "Board of Directors"	the board of Directors of our Company
"Board of Supervisors"	the board of Supervisors of our Company
"business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"Hailing Asia"	Bestime Pharma (Asia) Ltd. (貝斯特醫藥(亞洲)有限公司) (previously named as Hailing Asia (Hong Kong) Ltd. (海靈亞洲(香港)有限公司)), a limited liability company incorporated under the laws of Hong Kong on December 16, 2009

[**REDACTED**]

"CD"	Crohn's disease
"CDE"	Center for Drug Evaluation of NMPA
"CFDA"	the former China Food and Drug Administration, which has been reorganized and renamed as the NMPA
"China", "Mainland China" or "PRC"	the People's Republic of China, excluding, for the purpose of this document (unless otherwise indicated), Hong Kong, Macau and Taiwan
"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"	Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業股份有限公司) (previously named as Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業有限公司)), established as a limited liability company in the PRC on April 3, 2019 and converted into a joint stock company with limited liability on March 23, 2023
"Convertible Bond"	the private placement convertible bond with a principal amount of RMB60 million issued by Xiajiang Hemay in March 2020
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Dr. Zhang, Ms. Guo, Ganzhou Hesheng, Ganzhou Heyi, Prime Honor, Hemay Holding, Hemay Investment and Hong Kong Hemay
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Core Product(s)"	has the meaning ascribed thereto in Chapter 18A of the Listing Rules and Chapter 2.3 of the Guide; for the purpose of this document, our Core Products refer to Mufemilast and Hemay022
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)

"Detong Hexin"	Suzhou Detong Hexin Venture Capital Partnership (Limited Partnership) (蘇州市德同合心創業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on June 12, 2017, being our [**REDACTED**] Investor
"Director(s)"	the director(s) of our Company
"Dongneng Jiayuan"	Shandong Dongneng Jiayuan Venture Capital Fund Partnership (Limited Partnership) (山東動能嘉元創業投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on June 17, 2022, being our [**REDACTED**] Investor
"Dr. Huo"	Dr. Huo Aihong (霍愛紅), our executive Director and deputy general manager
"Dr. Zhang"	Dr. Zhang Hesheng (張和勝), our founder, chairman of our Board, general manager, executive Director and Controlling Shareholder
"Efung Ruiyi"	Shenzhen Efung Ruiyi Investment Center (Limited Partnership) (深圳市倚鋒睿意投資中心(有限合夥)), a limited liability partnership established under the laws of the PRC on April 1, 2016, being our [**REDACTED**] Investor
"Equity Incentive Scheme"	the equity incentive scheme approved and adopted by our Company on October 12, 2021
	[**REDACTED**]
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"F&S" or "Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant and an Independent Third Party
"Frost & Sullivan Report"	an independent market research report prepared by F&S, which was commissioned by our Company for the purpose of this document
"FDA"	the Food and Drug Administration of the United States
	[**REDACTED**]

"Gansu Hemay"	Gansu Hemay Pharmaceutical Co., Ltd. (甘肅和美藥業有限公司), a limited liability company established under the laws of the PRC on October 31, 2024, being a wholly-owned subsidiary of our Company
"Gansu Xinglong"	Gansu Great Wall Xinglong Silk Road Fund (Limited Partnership) (甘肅長城興隴絲路基金(有限合夥)), a limited liability partnership established under the laws of the PRC on December 21, 2015 and our [**REDACTED**] Investor
"Ganzhou Hesheng"	Ganzhou Hesheng Technical Consulting Center (Limited Partnership) (贛州和勝技術諮詢中心(有限合夥)), a limited liability partnership established under the laws of the PRC on September 26, 2021
"Ganzhou Heyi"	Ganzhou Heyi Technical Consulting Center (Limited Partnership) (贛州和毅技術諮詢中心(有限合夥)), a limited liability partnership established under the laws of the PRC on September 26, 2021, being our employee shareholding platform
"Ganzhou Talent Fund"	Ganzhou Talent Innovation and Venture Capital Fund Partnership (Limited Partnership) (贛州市人才創新創業投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 9, 2023, being our [**REDACTED**] Investor
	[**REDACTED**]
"Group," "our Group," "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"Guangzhou Hemay"	Guangzhou Hemay Oncology Pharmaceutical Co., Ltd. (廣州和美奧康醫藥科技有限公司), a limited liability company established under the laws of the PRC on October 23, 2017 and deregistered on July 24, 2023
"Guide"	Guide for New Listing Applicants issued by the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
	[**REDACTED**]
"H Share(s)"	share(s) in the share capital of our Company with nominal value of RMB1.0 each, which are to be [**REDACTED**] for and [**REDACTED**] in Hong Kong dollars and to be [**REDACTED**] on the Hong Kong Stock Exchange
"Hailing Chemical"	Hainan Hailing Chemical Pharmaceutical Co., Ltd. (海南海靈化學製藥有限公司), a limited liability company established under the laws of the PRC on April 1, 2004
"Hailing Pharmaceutical"	Hainan Hailing Pharmaceutical Factory Co., Ltd. (海南海靈製藥廠有限公司), a limited liability company established under the laws of the PRC on March 5, 1990

"Hemay Australia"	Hemay Pharmaceutical Pty. Ltd., a limited liability company incorporated under the laws of New South Wales, Australia on September 18, 2015, and an indirectly wholly-owned subsidiary of our Company
"Hemay Holding"	Hemay Holding Limited, a limited liability company incorporated under the laws of the Cayman Islands on May 14, 2014 and our Controlling Shareholder
"Hemay Investment"	Hemay Investment Limited, a limited liability company incorporated under the laws of the British Virgin Islands on May 21, 2014 and our Controlling Shareholder
"Hemay U.S."	Hemay Pharmaceuticals International, Inc., a corporation incorporated under the laws of the State of Delaware of the U.S. on June 1, 2017 and de-registered on March 6, 2024
"Hemay Bio-Tech"	Tianjin Hemay Bio-Tech Co., Ltd (天津和美生物技術有限公司), a limited liability company established under the laws of the PRC on July 26, 2002, and an indirectly wholly-owned subsidiary of our Company
"High Estate"	HIGH ESTATE LIMITED (高緒有限公司), a limited liability company incorporated under the laws of Hong Kong on February 16, 2016, being our [**REDACTED**] Investor

[**REDACTED**]

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Hemay"	Hemay (HongKong) Investment Limited, a limited liability company incorporated under the laws of Hong Kong on June 12, 2014 and our Controlling Shareholder

[**REDACTED**]

"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Parties"	an individual(s) or a company(ies) who or which is/are not connected person(s) of our Company

[**REDACTED**]

[**REDACTED**]

"Jihan Investment"	Xiajiang Jihan Renshen Pharmaceutical Investment Partnership (Limited Partnership) (峽江縣吉瀚壬申醫藥投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on December 8, 2022, being our [**REDACTED**] Investor

[**REDACTED**]

"Latest Practicable Date"	June 1, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Linde Investment"	Xiamen Linde Equity Investment Partnership (Limited Partnership) (廈門麟德股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on June 10, 2022, being our [**REDACTED**] Investor

[**REDACTED**]

"Listing Committee"	the listing committee of the Stock Exchange

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Mr. Chen"	Mr. Chen Yingwei (陳英偉), our executive Director, secretary to our Board, joint company secretary, deputy general manager and head of sales department
"Mr. Jacky Zhuang"	Mr. Jacky Zhuang, the son of Mr. Zhuang and indirectly wholly owns Truman
"Mr. Zhuang"	Mr. Zhuang Qiongsheng (莊瓊生), the father of Mr. Jacky Zhuang and the controller of entities such as Hailing Asia and Hailing Pharmaceutical when such entities previously provided financial support for the research and development work of our various projects, including Mufemilast

"Ms. Guo"	Ms. Michele Xuemei Guo, spouse of Dr. Zhang and our Controlling Shareholder
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) (formerly known as the China Food and Drug Administration, or CFDA)
"Nomination Committee"	the nomination committee of our Board
	[**REDACTED**]
"Orient Yirui"	Orient Yirui (Shanghai) Health Industry Investment Center (L.P.) (東方翌睿(上海)健康產業投資中心(有限合夥)), a limited liability partnership established under the laws of the PRC on August 5, 2016, being our [**REDACTED**] Investor
	[**REDACTED**]
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	Company Law of the PRC (《中華人民共和國公司法》) as amended, supplemented and otherwise modified from time to time
"PRC Legal Advisor"	King & Wood, our legal advisor as to PRC laws
"PRC Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"[**REDACTED**] Investment(s)"	the [**REDACTED**] investments in our Company undertaken by our [**REDACTED**] Investors, details of which are set out in "History, Development and Corporate Structure — [**REDACTED**] Investments"
"[**REDACTED**] Investor(s)"	the investor(s) who participated in the [**REDACTED**] Investments

[**REDACTED**]

"Prime Honor"	Prime Honor Limited, a limited liability company incorporated under the laws of the Republic of Seychelles on March 12, 2014 and our Controlling Shareholder
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"PRDL"	Provincial Reimbursement Drug List
"Remuneration and Assessment Committee"	the remuneration and assessment committee of our Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SAFE"	the State Administration of Foreign Exchange of the PRC (國家外匯管理局)
"Shanghai Cenova"	Shanghai Cenova Innovation Venture Fund (Limited Partnership) (上海千驥創業投資中心(有限合夥)), a limited liability partnership established under the laws of the PRC on July 12, 2012, being our [**REDACTED**] Investor
"Shanghai Hongfu"	Shanghai Hongfu Asset Management Co., Ltd. (上海鴻富私募基金管理有限公司), a limited liability company established under the laws of the PRC on June 4, 2015
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.0 each, comprising the Unlisted Shares and H Shares
"Shareholders(s)"	holder(s) of the Share(s)
"Sole Sponsor"	SDIC Securities Corporate Finance (Hong Kong) Limited

[**REDACTED**]

"Sophisticated Investor(s)"	has the meaning ascribed to it under Chapter 2.3 of the Guide

"State Council"	State Council of the People's Republic of China (中華人 民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Strategic Committee"	the strategic committee of our Board
"Subscriber"	Xiajiang County Industrial Park Construction Investment Co., Ltd. (峽江縣工業園區建設投資有限公司), a limited liability company established under the laws of the PRC on March 1, 2002, being the subscriber of the Convertible Bond
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Taikun Investment"	Hangzhou Taikun Equity Investment Fund Partnership (Limited Partnership) (杭州泰鯤股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 10, 2021, being our [**REDACTED**] Investor
"Tianjin Hemay Oncology"	Tianjin Hemay Oncology Pharmaceutical Co., Ltd. (天津和美奧康醫藥科技有限公司), a limited liability company established under the laws of the PRC on July 25, 2016, being a wholly-owned subsidiary of our Company
"Tianjin Hemay Pharmaceutical"	Tianjin Hemay Pharmaceutical Co., Ltd. (天津合美醫藥科技有限公司), a limited liability company established under the laws of the PRC on August 27, 2014, being a wholly-owned subsidiary of our Company
"Tigermed Investment"	Hangzhou Tigermed Equity Investment Partnership Enterprise (Limited Partnership) (杭州泰格股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on April 22, 2016, being our [**REDACTED**] Investor
"Track Record Period"	the period comprising the years ended December 31, 2024 and 2025
"Truman"	Truman Enterprises (Hong Kong) Limited, a limited liability company incorporated under the laws of Hong Kong on November 7, 2014, being our [**REDACTED**] Investor
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	United States Securities Act of 1933, as amended

[**REDACTED**]

"Unlisted Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.0 each, which is/are not [**REDACTED**] or [**REDACTED**] on any stock exchange
"US$", "U.S. dollar" or "USD"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Xiajiang Hemay"	Xiajiang Hemay Pharmaceutical Co., Ltd. (峽江和美藥業有限公司), a limited liability company established under the laws of the PRC on March 2, 2012, being a wholly-owned subsidiary of our Company
"Xiade Investment"	Qingdao Xiade Venture Capital Partnership (Limited Partnership) (青島峽德創業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 29, 2022, being our [**REDACTED**] Investor
"Xinfeng County Development"	Xinfeng County Development Control Industry Investment Fund Management Co., Ltd.) (信豐縣發控產業投資基金管理有限公司), a limited liability company established under the laws of the PRC on October 24, 2022, being our [**REDACTED**] Investor
"Yide Investment"	Fuzhou Yide Equity Investment Partnership (Limited Partnership) (福州宜德股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on March 31, 2021, being our [**REDACTED**] Investor
"Zhenzhuo Investment"	Ningbo Meishan Bonded Area Zhenzhuo Investment Management Co., Ltd. (寧波梅山保稅港區真灼投資管理有限公司), a limited liability company established under the laws of the PRC on November 28, 2016 and our substantial Shareholder
"Zhenzhuo Pharmaceutical"	Ganzhou Zhenzhuo Pharmaceutical Innovation Talent Investment Center (Limited Partnership) (贛州真灼醫藥創新人才投資中心(有限合夥)), a limited liability partnership established under the laws of the PRC on January 12, 2019, being our [**REDACTED**] Investor
"Zhenzhuo Xinqi"	Jiaxing Zhenzhuo Xinqi Investment Partnership (Limited Partnership) (嘉興真灼新祺投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on December 18, 2017, being our [**REDACTED**] Investor
"%"	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"AD"	Atopic dermatitis
"AE"	Adverse events
"AS"	Ankylosing Spondylitis
"API"	Active Pharmaceutical Ingredient, the biologically active component in a pharmaceutical drug that produces the intended therapeutic effects. APIs are the primary substances responsible for the efficacy of medications
"AUC"	area under the curve
"BD"	Behçet's Disease, also known as Behçet's syndrome, is a chronic, recurrent, systemic vasculitis that can affect multiple organs and systems, including the skin, mucous membranes, eyes, joints, gastrointestinal tract, and central nervous system
"BID"	Bis in Die (Latin for "twice a day"), a medical abbreviation indicating that a medication or treatment should be administered two times per day, typically spaced 12 hours apart
"BSA change rate"	the percentage change in Body Surface Area, or BSA, affected by a condition (e.g., psoriasis) or involved in a specific measurement, usually over a given period of time
"chemical therapy"	a type of treatment that involves the use of chemically synthesized small-molecule compounds to target specific biological pathways
"CMC"	Chemistry, Manufacturing and Controls refer to the regulatory and scientific framework governing the development, production, and quality assurance of pharmaceutical products. It encompasses the processes and documentation related to the composition, manufacturing methods, stability, and quality control of drug substances and drug products
"CMO"	contract manufacturing organization
"COPD"	chronic obstructive pulmonary disease
"CRO"	contract research organization

GLOSSARY OF TECHNICAL TERMS

"CSCO Guidelines"	Chinese Society of Clinical Oncology Guidelines, The CSCO guidelines refer to the clinical practice guidelines developed and published by the Chinese Society of Clinical Oncology (CSCO). CSCO is a leading professional organization in China dedicated to the advancement of oncology research, education, and clinical practice. The CSCO guidelines provide evidence-based recommendations for the diagnosis, treatment, and management of various types of cancers, tailored to the specific clinical and regulatory environment in China. These guidelines are widely recognized and adopted by healthcare professionals and institutions across China, and they play a significant role in standardizing oncology care, informing clinical decision-making, and guiding the design and conduct of clinical trials within the region
"CBR"	Clinical Benefit Rate, a measure used in clinical trials to represent the proportion of patients who achieve a predefined clinical benefit, such as complete response, partial response, or stable disease, for a specified duration
"DLQI"	a widely used questionnaire designed to measure the impact of skin diseases on a patient's quality of life. It is commonly used in dermatology clinical trials and routine practice to assess how much a skin condition (e.g., psoriasis, eczema, acne) affects a patient's daily life, emotions, and social interactions
"DMARDs"	Disease-Modifying Antirheumatic Drugs, a group of drugs designed to slow or alter the progression of autoimmune diseases such as rheumatoid arthritis and psoriatic arthritis. DMARDs work by suppressing the immune system to prevent joint and tissue damage. Examples include methotrexate, sulfasalazine, and leflunomide
"EGFR"	or Epidermal Growth Factor Receptor, is a transmembrane protein that belongs to the receptor tyrosine kinase family. It plays a critical role in regulating cell growth, survival, proliferation, and differentiation. EGFR is activated by binding to specific ligands such as epidermal growth factor (EGF), leading to the activation of downstream signaling pathways involved in cellular processes. Mutations or overexpression of EGFR have been implicated in the development and progression of various cancers, making it a key therapeutic target in oncology
"endpoint"	with respect to a clinical study or trial, the outcome that is measured, whether referring to occurrence of disease, symptom, sign or laboratory abnormality constituting a target outcome, in which case "endpoint" will be preceded by the outcome term, such as in "clinical remission endpoint" or "maintenance therapy endpoint"
"FAS"	Full Analysis Set

"GCP Inspections"	GCP inspections refer to regulatory audits conducted by health authorities to assess compliance with Good Clinical Practice (GCP) standards during the conduct of clinical trials. GCP is an international ethical and scientific quality standard for designing, conducting, recording, and reporting clinical trials that involve human subjects. The primary objectives of GCP inspections are to ensure the rights, safety, and well-being of trial participants are protected, and to verify the integrity and reliability of clinical trial data. Regulatory agencies such as the NMPA in China, among others, routinely perform GCP inspections at clinical trial sites, sponsor facilities, and CROs. Findings from GCP inspections can impact the approval and acceptance of clinical trial data for regulatory submissions
"HADS"	Hospital Anxiety and Depression Scale, a validated questionnaire used to assess levels of anxiety and depression in patients, commonly utilized in hospital and clinical research settings
"HER2"	HER2, or human epidermal growth factor receptor 2 (also known as ERBB2), is a member of the same receptor tyrosine kinase family as EGFR. HER2 is involved in the regulation of cell growth and differentiation. Overexpression or amplification of the HER2 gene is associated with aggressive forms of certain cancers, particularly breast cancer and gastric cancer. Targeting HER2 with specific therapies has become an important strategy in the treatment of HER2-positive malignancies
"IBD"	inflammatory bowel disease, including Crohn's disease and UC
"IBDQ Scores"	The Inflammatory Bowel Disease Questionnaire (IBDQ) scores are patient-reported outcome measures used to assess health-related quality of life in individuals with IBD, such as CD and UC. The IBDQ consists of a series of questions that evaluate multiple domains, including bowel symptoms, systemic symptoms, emotional function, and social function. Patients rate the severity or frequency of symptoms and their impact on daily life, resulting in a composite score that reflects the overall burden of disease. IBDQ scores are widely used in clinical trials and routine practice to monitor disease activity, evaluate treatment efficacy, and support clinical decision-making. The IBDQ is recognized as a validated and reliable tool for measuring quality of life outcomes in patients with inflammatory bowel disease
"IDMC"	Independent Data Monitoring Committee
"IKK"	IKK, or IκB kinase, is a protein complex that plays a central role in the regulation of the nuclear factor kappa-light-chain-enhancer of activated B cells (NF-κB) signaling pathway. The IKK complex phosphorylates the inhibitor of NF-κB (IκB), leading to its degradation and subsequent activation of NF-κB, which translocates to the nucleus to regulate the expression of genes involved in inflammation, immune responses, cell proliferation, and survival. Dysregulation of the IKK/NF-κB pathway has been implicated in a variety of diseases, including cancer, autoimmune disorders, and chronic inflammatory conditions

"IND"	Investigational New Drug, the authorization granted by a regulatory agency (such as the NMPA) to allow a new drug candidate to be tested in humans during clinical trials
"JAK"	janus kinase inhibitors
"LTBI"	latent tuberculosis infection
"MDHAQ"	The Multi-Dimensional Health Assessment Questionnaire or MDHAQ, score is a patient-reported outcome measure designed to assess the overall health status, functional ability, and quality of life in individuals with rheumatic diseases, such as rheumatoid arthritis. The MDHAQ includes multiple domains, such as physical function, pain, fatigue, and psychological well-being, and provides a composite score that reflects the patient's perception of their disease impact. The MDHAQ score is widely used in clinical practice and research to monitor disease progression, evaluate treatment effectiveness, and facilitate patient-physician communication. It is recognized as a validated and efficient tool for routine assessment in rheumatology
"mPRS"	Modified Partial Response Score, a clinical assessment tool used to evaluate the degree of partial response to treatment, often in oncology studies; specific criteria may vary depending on disease context
"NDA"	New Drug Application
"NMPA"	National Medical Products Administration of China
"NSAIDs"	Nonsteroidal Anti-Inflammatory Drugs, a class of medications that reduce inflammation, pain, and fever by inhibiting enzymes involved in the inflammatory process. Common examples include ibuprofen and naproxen. NSAIDs are often used to manage mild symptoms in conditions like arthritis and psoriasis
"ORR"	objective response rate a clinical trial endpoint that represents the proportion of patients whose cancer shrinks (partial response) or disappears (complete response) after treatment. It is commonly used to assess the effectiveness of anticancer therapies and includes both complete and partial responses as defined in the clinical trial design
"RA"	Rheumatoid Arthritis, an autoimmune disease that causes chronic inflammation of the joints and other areas of the body. This creates inflammation that causes the tissue that lines the inside of joints (the synovium) to thicken, resulting in swelling and pain in and around the joints
"PASI"	Psoriasis Area and Severity Index

"PDE4"	PDE4, or phosphodiesterase 4, is an enzyme belonging to the phosphodiesterase family that specifically hydrolyzes cyclic adenosine monophosphate (cAMP) into its inactive form. By regulating intracellular levels of cAMP, PDE4 plays a key role in controlling inflammatory and immune responses, as well as various cellular signaling pathways. Inhibition of PDE4 has been shown to have anti-inflammatory effects and is a therapeutic strategy for treating certain inflammatory diseases, including COPD, psoriasis, and AD
"PDE4B"	PDE4B is an enzyme belonging to the PDE4 family. It specifically hydrolyzes cAMP into its inactive form, thereby regulating intracellular levels of cAMP. PDE4B is expressed in various tissues, particularly in immune cells and the central nervous system, and plays an important role in modulating inflammatory responses, immune cell activity, and certain neurological processes. Dysregulation of PDE4B has been associated with inflammatory diseases, psychiatric disorders, and some cancers, making it a target for therapeutic intervention.
"PDX model"	A Patient-Derived Xenograft (PDX) model is an in vivo preclinical research model in which diseased tissue, such as tumor and Ps skin tissue, obtained directly from a patient are implanted into immunodeficient mice or other suitable animal hosts. PDX models closely recapitulate the histological, genetic, and biological characteristics of the original patient tumor, including its heterogeneity and response to therapeutics. These models are widely used in oncology research to evaluate the efficacy and safety of investigational drugs, to study mechanisms of drug resistance, and to facilitate personalized medicine approaches. PDX models are considered a valuable tool for bridging the gap between in vitro studies and clinical trials, providing more predictive insights into clinical outcomes
"PFS"	progression-free survival, a clinical trial endpoint that measures the length of time during and after treatment in which a patient lives with a disease (such as cancer) without it worsening or progressing. PFS is used to evaluate the effectiveness of a therapy in delaying disease advancement
"pharmacodynamics"	the study of the biochemical and physiologic effects of drugs (especially pharmaceutical drugs). The effects can include those manifested within animals (including humans), microorganisms, or combinations of organisms (for example, infection)
"pharmacokinetics" or "PK"	a branch of pharmacology dedicated to determining the fate of substances administered to a living organism
"Phase I clinical trial"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness

GLOSSARY OF TECHNICAL TERMS

"Phase II clinical trial"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"Phase III clinical trial"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"PI"	Principal investigators
"placebo"	a substance or treatment with no active therapeutic effect, commonly used in clinical trials as the administered substance for the control group
"PPK"	population pharmacokinetic
"PPS"	Per Protocol Set
"primary endpoint"	with respect to a clinical study or trial, the main predefined result that is measured at the end of a study (e.g., the number of deaths or the difference in survival between the treatment group and the control group)
"Ps"	Psoriasis is a chronic, immune-mediated inflammatory skin disease characterised by recurrent episodes of erythematous, scaly plaques
"PsA"	Psoriatic Arthritis
"QD"	once a day
"R&D"	research and development
"SAEs"	Serious adverse events
"secondary endpoint"	with respect to a clinical study or trial, a secondary objective that was measured. For example, a drug designed to prevent allergy-related deaths might also have a measure of whether quality of life is improved
"sPGA score"	Static Physician's Global Assessment Score. It is a clinical tool used to assess the severity of psoriasis based on the physician's evaluation of the overall appearance of a patient's skin lesions at a specific point in time (static, not dynamic).
"TEAE"	treatment-emergent adverse event, an AE that emerges during treatment having been absent pre-treatment, or worsens relative to the pre-treatment state

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- timing and likelihood of drug discovery, development and commercialization, completion and conclusion of clinical trials, regulatory filings and approvals such as IND and NDA;
- the efficacy and safety of our drug candidates, their pricing, market reception, market share;
- our strategies, plans, objectives and goals and our ability to successfully implement the same;
- our future operations, financial condition and performance and business prospects;
- our dividend policy;
- projects under development;
- our ability to attract and retain senior management and key employees;
- our future capital needs and capital expenditure plans;
- future developments, trends and conditions in the pharmaceutical industry in the PRC and other countries;
- market opportunities and competitive landscape for our products, and the actions and developments of our competitors;
- the regulatory environment and industry outlook in general for the industries discussed herein;
- capital market developments, changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

An investment in our H Shares involves various risks. You should carefully consider all the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares. In particular, we are a biopharmaceutical company seeking [**REDACTED**] *on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. Our operations and the biopharmaceutical industry involve certain risks and uncertainties, some of which are beyond our control and may cause you to lose all your* [**REDACTED**] *in our H Shares. Our business, financial condition, and results of operations could be materially and adversely affected by any of these risks and uncertainties.*

The information given is as of the Latest Practicable Date and, unless otherwise stated, will not be updated after the date hereof and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this document. You should seek professional advice from relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

Risks Relating to Pre-Clinical and Clinical Development of Our Drug Candidates

We may be unable to obtain or experience delay in obtaining regulatory approval for our drug candidates.

Our business depends substantially on our ability to complete the development of, obtain regulatory approval for, and successfully commercialize, our drug candidates in a timely manner. We cannot commercialize drug candidates in China without obtaining the regulatory approvals from the NMPA. The time required to obtain approvals from the NMPA is unpredictable, but typically takes years following the commencement of pre-clinical studies and clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the clinical development of a drug candidate and may vary among jurisdictions. Changes in regulatory requirements and guidance during our clinical trials may result in necessary changes to clinical trial protocols, which could increase our costs, delay the timeline for or reduce the likelihood of regulatory approval for our drug candidates.

Failure to obtain NMPA regulatory approval for our drug candidates can occur for numerous reasons. These include challenges during clinical trials — such as disagreements with regulators, non-adherence to protocols, or statistically insignificant data — as well as manufacturing deficiencies or changes in regulatory policy. The NMPA may also require additional data, potentially causing significant delays or forcing the abandonment of a development program. Even if approval is granted, it may be for limited indications, contingent on costly post-marketing trials, or include a label that hinders commercialization. Furthermore, any subsequent discovery of undesirable side effects could trigger restrictive risk mitigation measures.

Changes in regulatory requirements may necessitate amendments to clinical trial protocols, requiring resubmission to regulatory authorities and ethics committees, which can lead to increased costs and delays. Any significant delay or termination of a clinical trial would harm the commercial prospects of our drug candidates, increase our costs, and postpone revenue generation, thereby adversely affecting our business and financial condition. Furthermore, an inability to adapt to new policies could jeopardize any regulatory approvals previously obtained.

We may face intense competition and our competitors may discover, develop, or commercialize competing drugs more quickly and successfully than we do.

The pharmaceutical industry is subject to fierce competition and rapid and significant technological advancements. We face competition with respect to our current drug candidates from existing products and product candidates under development and approved therapy options in the entire pharmaceutical market, particularly biologics targeting TNF-α and PDE4 inhibitor in the field of autoimmune diseases and targeted therapies in the field of oncology. Additionally, we will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future. Our competitors include major and specialty pharmaceutical companies and biotechnology companies worldwide. Potential competitors also include academic institutions,

government agencies, and other public and private research organizations that conduct research, seek patent protection, and establish collaborative arrangements for the research, development, manufacturing, and commercialization of drugs.

Even if successfully developed and subsequently approved by the NMPA or other comparable regulatory authorities, our drug candidates may still face competition in various aspects, including safety and efficacy, the timing and scope of the regulatory approvals, the availability and cost of supply, sales and marketing capabilities, pricing, and patent status. Many of our existing and potential competitors may have substantially greater financial, technical, and human resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals, and marketing approved drugs than we do. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Additional mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors. Competition may intensify further due to advances in the commercial applicability of technologies and increased availability of capital for investment in these industries. Our competitors may successfully develop, acquire, or license products that are more effective or less costly than our drug candidates or any future drug product that we may develop. They may also achieve earlier patent protection, regulatory approvals, product commercialization, and market penetration. Any of the above could result in our competitors establishing a strong competitive position before we are able to enter the market, or cause us to lose our potential first-mover advantage for certain drug candidates. They may also cause us to experience delay in obtaining regulatory approval for our drug candidates or render our drug candidates obsolete or non-competitive before we can recover the expenses of developing and commercializing any of our drug candidates. As a result, our business, financial condition, and prospects may be negatively affected.

Our financial prospects depend on the success of our clinical-stage and pre-clinical stage product pipeline.

Our ability to achieve revenue and profitability is dependent on our ability to complete the clinical development of our drug candidates, obtain necessary regulatory approvals, and have our drugs manufactured and successfully marketed. We have invested significant time and resources in the development of our existing drug candidates, and we expect to continue to incur substantial and increasing expenditures for the development and commercialization of our drug candidates.

The success of our drug candidates depends on numerous factors, including: the successful completion of pre-clinical and clinical trials with favorable safety and efficacy data; obtaining regulatory approvals; establishing commercial manufacturing capabilities and securing necessary drug supplies; the performance of third-party CROs; and obtaining and defending intellectual property rights. Following any approval, success will further depend on a successful launch, market acceptance, competition, third-party reimbursement, and a continued positive safety profile.

As of the Latest Practicable Date, most of our drug candidates are in various phases of pre-clinical and clinical development. If our drug candidates fail to achieve their expected success in a timely manner or at all, we could experience delays in commercialization of drug candidates, which would materially harm our business.

Our limited financial and managerial resources necessitate a focused pipeline strategy. This may cause us to forgo more commercially promising opportunities or invest in research that does not yield viable products. Furthermore, inaccurately evaluating a drug candidate's commercial potential could lead to unfavorable collaboration or licensing agreements, resulting in the loss of valuable development and commercialization rights.

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

The timely completion of clinical trials in accordance with their protocols depends on, among other things, our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including the size and nature of the patient population, the patient eligibility criteria defined in the protocol, the size of the study population required for analysis of the trial's primary endpoints, the proximity of patients to trial sites and our ability to obtain and maintain patient consent.

Our clinical trials may compete with other clinical trials for drug candidates that are in the same therapeutic areas as our drug candidates, and this competition will reduce the number and types of patients available to us. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and materially adversely affect our ability to advance the development of our drug candidates, which in turn could materially adversely affect our business, financial condition, results of operations and prospects.

As of the Latest Practicable Date, we have experienced slower-than-anticipated patient enrollment in the Phase III clinical trial of Hemay022, one of our Core Products, primarily due to intense competition for patient recruitment in the breast cancer therapeutic area. As a result, we have revised our development timeline and now expect to complete patient enrollment by the end of 2026 and submit the NDA to the NMPA in 2027. There can be no assurance that we will achieve our updated enrollment and NDA submission targets on schedule or at all. See "Business — Our Clinical-Stage Drug Candidates — Hemay022" for details of our enrollment status and mitigation measures."

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

Our historical development activities illustrate the inherent risks and uncertainties in drug development. For example, we have made strategic decisions to suspend or deprioritize certain clinical programs based on clinical data or portfolio prioritization. These decisions, while critical for disciplined resource allocation, highlight the risk that our product candidates may not proceed as initially planned.

- Suspension due to Clinical Results: We previously conducted a Phase II clinical trial for Mufemilast for the treatment of AS. The trial did not achieve its pre-specified primary efficacy endpoints with statistical significance. As a result, we have placed the further development of Mufemilast for the AS indication on hold to focus resources on other indications with more promising clinical data.

- Deprioritization based on Comparative Data: Similarly, we deprioritized the development of Hemay007 for UC after a Phase II clinical trial did not show a statistically significant difference in clinical response rates between the treatment and placebo groups. We are now prioritizing the development of Hemay007 for rheumatoid arthritis (RA).

Any similar setbacks in our current or future clinical programs, particularly for our Core Products, could result in significant delays, require us to incur substantial additional costs, and ultimately have a material adverse effect on our ability to generate revenue, our financial condition, and business prospects.

If our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

Extensive clinical trials are necessary to demonstrate the safety and efficacy of our drug candidates. The discovery of undesirable adverse events during these trials could lead to their interruption, delay, or termination by us or regulatory authorities, potentially resulting in the denial of approval. Such events can also hinder patient recruitment, affect trial completion, and lead to product liability claims.

Furthermore, negative or inconclusive trial results may delay or prevent regulatory approval, or result in approval for fewer indications than requested. We might also be compelled to adopt restrictive risk mitigation strategies, such as specific labeling, medication guides, or restricted distribution plans. These outcomes could also expose us to product liability claims and impede our ability to secure reimbursement.

Should undesirable side effects be identified in our drugs post-approval, we could face significant negative consequences. Regulatory authorities may suspend marketing, withdraw approvals, or mandate additional warnings, risk mitigation measures, or post-market studies. We

could also be forced to conduct product recalls, be held liable for patient harm, and suffer reputational damage. Any of these events could prevent market acceptance of the drug and significantly harm our business, results of operations, and prospects.

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

We cannot guarantee that we will be successful in identifying potential drug candidates. For example, we cannot guarantee that we will be successful in identifying potential drug candidates. Some drug candidates are technically challenging to develop and manufacture. Drug candidates that we identify may be shown to have harmful side effects or other characteristics that make them unmarketable or unlikely to receive regulatory approval. We may also pursue collaboration with third parties in the discovery and development of potential drug candidates, but we cannot assure you that such collaboration will be able to deliver the intended results.

Our research programs may initially show promise in identifying potential indications and/or drug candidates, yet fail to yield results for clinical development for a number of reasons, including but not limited to the following factors:

- the research methodology used may not be successful in identifying potential indications and/or new drug candidates;
- potential drug candidates may, after further study, be shown to have adverse effects or other characteristics that indicate they are unlikely to achieve desired efficacy; or
- it may take greater resources to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates, thereby limiting our ability to diversify and expand our drug portfolio.

Accordingly, there can be no assurance that we will be able to identify new drug candidates or additional therapeutic opportunities for our drug candidates, which could adversely affect our future growth and prospects. We may invest our efforts and resources on potential drug candidates or other potential programs that ultimately prove to be unsuccessful.

Our drugs may cause undesirable side effects.

Autoimmune therapies are still considered as emerging therapeutics for treating cancer and autoimmune diseases. Their mechanisms of action are yet to be thoroughly understood, and adverse events or side effects have been observed in clinical studies and reported by medical practitioners in connection with their usage in patients with cancer or autoimmune diseases.

The results of clinical trials for our drug candidates could reveal a high and unacceptable severity and prevalence of undesirable side effects. Any such side effects could adversely impact our ability to obtain regulatory approvals. For example, the NMPA or other comparable authorities could order us to suspend or terminate our studies or to cease further development of or deny approval of our drug candidates. Any drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete trials or may result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

We may not be successful in developing, enhancing or adapting to new technologies and methodologies.

We must keep pace with new technologies and methodologies to maintain our competitive position. In 2024 and 2025, our research and development costs were RMB97.0 million, and RMB90.3 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our clinical trials. We intend to continue to enhance our technical capabilities in drug discovery, development, and manufacturing, which are capital-and-time-intensive. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient or any patent or other intellectual property protection

for such new or enhanced products, or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, that those products will achieve market acceptance. Any failure to do so may make our techniques obsolete, which could harm our business and prospects.

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

Our drug development relies on complex data from preclinical and clinical studies. Given that healthcare data is often fragmented, inconsistent, and incomplete, its quality is subject to challenge, and we may discover material errors during our monitoring and auditing processes. Mistakes in our own data capture and analysis, or failures by third-party CROs responsible for data management, can compromise data integrity, and our reliance on these third parties does not relieve us of our regulatory responsibilities. Furthermore, preliminary or interim data that we announce or submit to regulatory authorities may change significantly upon final audit and verification, potentially exposing us to liability if our data handling is deemed wrongful or erroneous. Any such data-related failures could materially harm our ability to advance our drug candidates, our reputation, and our business prospects.

Risks Relating to Extensive Regulations and Regulatory Approvals

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

Our operations are subject to extensive and complex regulations across all jurisdictions where we intend to commercialize our drug candidates, making international compliance costly and resource-intensive. Failure to adhere to these regulations at any stage can result in severe administrative or judicial sanctions, including the refusal or withdrawal of approvals, clinical holds, product recalls, fines, and even civil or criminal penalties. Furthermore, noncompliance discovered during regulatory inspections of our facilities could lead to punitive actions and reputational harm. Any such enforcement action could divert significant management attention and financial resources, and materially harm our business, financial condition, and prospects.

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

Off-label use occurs when our products are prescribed for indications, dosages, or forms not approved by regulatory authorities. Although promotion of off-label use is prohibited and actively enforced by regulators, our products may still be used in such a manner. Off-label use could result in reduced efficacy or increased adverse reactions, leading to negative publicity, reputational harm, and potential liability. These outcomes could also delay clinical development or regulatory approval of our drug candidates, and materially adversely affect our business, product brand, operations, and financial condition.

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

Following approval, our drug candidates will remain subject to extensive ongoing regulatory requirements for manufacturing, labeling, advertising, promotion, record-keeping, and submission of safety and efficacy data. Regulatory authorities may require post-marketing studies, risk management plans, or impose additional restrictions on our products. We will be subject to periodic inspections and must maintain compliance with good manufacturing practices and other applicable standards. Failure to comply with these obligations may result in regulatory actions, including fines, recalls, license revocation, or withdrawal of product approval, any of which could materially adversely affect our business, financial condition, results of operations, and prospects.

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

Regulatory approval for commercial sale of our drug candidates requires extensive preclinical and clinical data as well as detailed information on manufacturing and controls. Approval processes are lengthy, expensive, and uncertain, and there is no guarantee of success. Regulatory requirements and review standards vary by jurisdiction, and approval in one region does not ensure approval elsewhere. Delays or failures in obtaining regulatory approvals, or approvals with significant limitations, could reduce our target market, harm our commercial prospects, and impair our ability to generate revenue or continue development of other drug candidates.

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

Healthcare providers, physicians, and others play a critical role in recommending and prescribing any products for which we obtain regulatory approval. Our operations are subject to anti-kickback, anti-bribery, false claims, physician payment transparency, fraud and abuse, and similar healthcare and security laws in China and other jurisdictions. These laws may affect our sales and marketing activities and require substantial compliance efforts and costs. We may also be subject to patient privacy regulations.

There is limited guidance from PRC authorities on the application of these laws to our business, and enforcement is increasing. If our practices are challenged or found non-compliant, we could face significant civil, criminal, or administrative penalties, including fines, exclusion from government programs, reputational harm, or operational restrictions. Similar laws in other jurisdictions may be broader in scope and apply to both public and private payers, adding further compliance complexity. Failure to comply with anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act, or if our partners are found non-compliant, could also subject us to sanctions and adversely affect our business and results of operations.

Regulatory approval processes are time-consuming and inherently uncertain. If we are unable to obtain without undue delay any regulatory approval for our drug candidates in our targeted markets, our business may be substantially harmed.

Obtaining regulatory approval for our drug candidates is a lengthy, unpredictable, and costly process fraught with significant risk. Approval may be delayed or denied for numerous reasons, including disagreements over clinical trial design, failure to demonstrate safety and efficacy, insufficient data, or noncompliance with GCP and GMP standards. Even if granted, approvals may be for limited indications or contingent on costly post-approval studies, and can be withdrawn if post-market requirements are not met. Any failure to obtain or maintain timely and commercially viable approvals could prevent us from realizing revenue on our significant investments, thereby materially harming our business, financial condition, and prospects.

Risks Relating to the Manufacturing and Commercialization of Our Drug Candidates

The manufacturing of pharmaceutical products is a highly exacting and complex process, and our business could suffer if we encounter problems in manufacturing our future drug products.

We plan to expand our manufacturing facilities in China and have limited experience in managing the manufacturing process of pharmaceutical products. The manufacturing of pharmaceutical products is a highly complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, issues with raw materials, delays related to the construction of new facilities, including changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, physical limitations that could inhibit continuous supply, human-made or natural disasters, and environmental factors. If problems arise during the production of a batch of product, the particular batch of product may have to be discarded and we may experience product shortages or incur additional expenses. This could, among other things, lead to increased costs, lost revenue, damage to customer relationships, time

and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. We may also experience delay in the construction of our manufacturing facility. Any such delay may have a material adverse effect on our manufacturing ability and the successful commercialization of our drug candidates.

Our drug candidates, once approved, may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community necessary for commercial success.

Even if approved, our drug candidates may fail to gain sufficient market acceptance from physicians, patients, and payers, preventing us from generating significant revenue or achieving profitability. The degree of acceptance will depend on numerous factors, including the approved clinical indications, perceived advantages over alternative treatments, safety profile, cost-effectiveness, and the availability of adequate reimbursement. The effectiveness of our sales and marketing efforts and the timing of market entry relative to competitors will also be critical. Even if market acceptance is achieved, it may not be sustained if newer, more effective, or more cost-efficient products are introduced. Failure to achieve and maintain market acceptance for our drug candidates would materially harm our business, financial condition, and prospects.

We have no track record in launching and marketing drug candidates. If we are unable to further develop our marketing and sales capabilities or enter into agreements with third parties to market and sell our drug candidates, we may not be able to generate product sales revenue.

As we have not yet demonstrated an ability to commercialize any drug candidates, our efforts may be inherently riskier, slower, and more costly. We must either build an internal sales and marketing team, which involves competing for talent, or pursue collaborative arrangements with third parties. There is no assurance we can establish or maintain such collaborations, and if we do, we would have limited control over their efforts, potentially resulting in lower revenue. The failure to successfully develop either in-house capabilities or effective third-party partnerships would prevent us from generating product revenue and materially harm our business, financial condition, and prospects.

The market opportunities for our drugs and drug candidates may be limited to those patients who are ineligible for or have failed prior treatments and may be small.

Our projections of both the number of people who have the diseases we are targeting, such as Ps, BD, PsA, and IBD, and advanced breast cancer, as well as the subset of people with these diseases in a position to receive later-stage therapy and who have the potential to benefit from treatment with our drug candidates, are based on our beliefs and estimates and may prove to be inaccurate or based on imprecise data.

Further, new studies may change the estimated incidence or prevalence of these diseases we target. The number of patients may turn out to be lower than expected. Additionally, the potentially addressable patient population for our drugs and drug candidates may be limited or may not be amenable to treatment with our drugs and drug candidates. Even if we obtain significant market share for our drug candidates, because the potential target populations are small, we may not achieve profitability without obtaining regulatory approval for additional indications.

Illegal and/or counterfeit pharmaceutical products may reduce demand for our drug candidate, which could have a negative impact on our reputation and business.

Our business and reputation may be negatively impacted by illegal and/or counterfeit pharmaceutical products. The illegal importation of competing products from lower-priced markets, or changes in government regulations that expand consumer access to such imports, could reduce demand for our drug candidates and exert downward pressure on our pricing.

Furthermore, counterfeit products, which are fraudulently mislabeled and sold at lower prices, can erode demand for our products. Inadequate regulatory control may fail to eliminate these counterfeits. Since these products can cause significant harm to patients, we could be exposed to product liability claims, government investigations, and severe reputational damage. The presence of either illegal or counterfeit products in the market could materially and adversely affect our sales, profitability, and business prospects.

Our future approved drug candidates may not be covered by reimbursement programs or may become subject to unfavorable reimbursement practices, either of which could harm our business.

Our ability to successfully commercialize any approved drug candidates depends significantly on obtaining adequate reimbursement from government health authorities and third-party payers. In China, inclusion in the NRDL or PRDL is critical for market competitiveness. Failure to secure such inclusion would make our products heavily dependent on patient self-payment, reducing their commercial viability.

Even if reimbursement is obtained, cost containment pressures may result in significantly reduced prices or deeper-than-expected price cuts. Government authorities and third-party payers increasingly limit coverage amounts and demand predetermined discounts, which could substantially reduce our revenue. Furthermore, reimbursement approval may be delayed, more limited than approved indications, or set at rates that do not cover our development and commercialization costs. Payment rates may also vary by clinical setting and be subject to mandatory discounts or rebates. Our inability to obtain timely and adequate reimbursement could materially and adversely affect our business, operating results, and financial condition.

Risks Relating to Our Intellectual Property Rights

If we are unable to obtain and maintain patent protection for our drug candidates through intellectual property rights, 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 consistently and successfully commercialize any product or technology would be materially adversely affected.

Our success depends in large part on our ability to protect our technology and drug candidates from competition by obtaining, maintaining, defending, and enforcing our intellectual property rights, including patent rights. We seek to protect the drug candidates and technology that we consider commercially important by filing patent applications in China, the United States, and other countries, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. In particular, we have sought patents in China, the United States, Europe, Japan, and other countries and regions for our drug candidates. For further information on our intellectual property portfolio, see "Business — Intellectual Property." Any failure by us or our collaboration partners to obtain or maintain patent protection with respect to our drug candidates and technologies could materially adversely affect our business, financial condition, results of operations. and prospects. In China, the China National Intellectual Property Administration (the "**CNIPA**") may require us to amend our patent applications after substantive examinations, including reducing the patentable coverage, and if we fail to respond within a specified period, our applications will be deemed to be withdrawn.

The patent prosecution process is expensive, time-consuming, and complex, and we may not be able to file, prosecute, maintain, enforce, or license all necessary or desirable patents and patent applications at a reasonable cost or in a timely manner in all desirable territories. As a result, we may not be able to prevent competitors from developing and commercializing competitive drugs in all such fields and territories. Furthermore, the patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability, and commercial value of our patent rights are highly uncertain.

Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application or the lack of novelty of the underlying invention or technology. It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection. Any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to obtain patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications or that we were the first to file for patent protection of such inventions. There is also no assurance that all of the potentially relevant prior art relating to our patents and patent applications has been found, which could be used

by a third party to challenge the validity of our patents or prevent a patent from issuing from a pending patent application. Furthermore, China and, recently, the United States have adopted the "first-to-file" system, under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology that we invented.

In addition, under the PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the CNIPA for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

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

Patent protection in various jurisdictions is uncertain. Changes in patent laws or their interpretation may diminish our ability to protect our inventions and could affect the value or scope of our patent rights. No consistent policy regarding biotechnology and pharmaceutical patent claims has emerged, and we cannot predict whether our patent applications will issue or provide sufficient protection from competitors.

Patent coverage can be significantly reduced before issuance, and scope can be reinterpreted afterward. Even if issued, patents may not provide meaningful protection or competitive advantages. Our patent rights may be challenged in courts or patent offices through opposition, re-examination, post-grant review, inter partes review, or similar proceedings. Adverse determinations could reduce or invalidate our patent rights, allow third parties to commercialize our technology without payment, or prevent us from commercializing our drug candidates. Such proceedings may result in loss of exclusivity, narrowed or invalidated claims, substantial costs, and significant demands on management time. Competitors may also circumvent our patents by developing non-infringing alternatives.

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

The life of a patent and the protection it affords is limited. Even if we successfully obtain patent protection for an approved drug candidate, it may face competition from generic or biosimilar medications once the patent has expired. 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 materially adversely affect any potential sales of that product.

Given the amount of time required for the development, testing, and regulatory review of new drug candidates, patents protecting such drug candidates might expire before or shortly after such drug candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. The issued patents and pending patent applications, if issued, for our drug candidates are expected to expire on various dates as described in "Business — Intellectual Property." Upon the expiration of our issued patents or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors, which would materially adversely affect our business, financial condition, results of operations, and prospects.

Our intellectual property may be subject to priority or inventorship disputes. If unsuccessful, we may be required to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to cease the development, manufacture, and commercialization of one or more of our drug candidates, which could materially and adversely impact our business.

We or our collaboration partners may be subject to claims that former employees, collaboration partners, or other third parties have an interest in our owned or in-licensed patents or other intellectual property. If we or our licensors are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) that we or they are subject to, we may lose valuable intellectual property rights or our patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we or our collaboration partners are unsuccessful in any inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights, such as exclusive ownership of, or the exclusive right to use, our owned or in-licensed patents. If we or our collaboration partners are unsuccessful in any interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licenses may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain such licenses, we may need to cease the development, manufacture and commercialization of one or more of our drug candidates. The loss of exclusivity or the narrowing of our owned and licensed patent claims could limit our ability to stop others from using or commercializing similar or identical drug products. Any of the foregoing could materially adversely affect our business, financial condition, results of operations, and prospects. Even if we are successful in an interference proceeding or other similar priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

We may not be able to protect our intellectual property rights throughout the world or prevent unfair competition from third parties.

Filing, prosecuting, and defending patents globally is prohibitively expensive, and intellectual property rights vary significantly in scope and strength across jurisdictions. Some jurisdictions provide weaker intellectual property protection, allowing competitors to practice our inventions, develop competing drugs, and export them to markets where our enforcement rights are limited.

Many jurisdictions do not favor enforcement of patents and intellectual property rights, particularly for biopharmaceutical products. Enforcement proceedings in foreign jurisdictions could result in substantial costs, divert management attention, risk patent invalidation or narrow interpretation, and provoke third-party claims against us. We may not prevail in such lawsuits, and any damages awarded may not be commercially meaningful.

Furthermore, patentability requirements and compulsory licensing laws differ across jurisdictions. Some countries compel patent owners to grant licenses to third parties or limit patent enforceability against government agencies, which could materially diminish patent value. If forced to grant licenses, our competitive position may be materially impaired. These factors could materially and adversely affect our business, financial condition, results of operations, and prospects.

We may become involved in lawsuits to protect or enforce our intellectual property rights, which could be expensive, time-consuming, and unsuccessful. Our patent rights relating to our drug candidates could be found invalid or unenforceable if challenged in court or before the relevant patent authority.

Competitors may infringe, misappropriate or otherwise violate our intellectual property rights. To counter infringement, misappropriation, or any other unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time-consuming. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Any claims that we assert against perceived infringers and other violators could also provoke these parties to assert counterclaims against us alleging that we have infringed, misappropriated, or otherwise violated their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to

enforce and/or defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon, misappropriating, or otherwise violating our intellectual property rights. An adverse result in any litigation proceeding could put our patent, as well as any patents that may issue in the future from our pending patent applications, at the risk of being invalidated, held unenforceable, or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our trade secret or other confidential information could be compromised by disclosure during this type of litigation. Any failure by us to prevent the misappropriation or disclosure of our proprietary information could materially and adversely affect our business, financial condition, results of operations and prospects. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated costs.

Moreover, we may not be able to detect infringement against our patents or other intellectual property rights. Even if we detect infringement by a third party of any of our patents or other intellectual property rights, we may choose not to pursue litigation against or settlement with such third party. If we later sue such third party for infringement, the third party may have certain legal defenses available to it, which otherwise would not be available except for the delay between when the infringement was first detected and when the suit was brought. Such legal defenses may make it impossible for us to enforce our intellectual property rights against such third party.

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

Third-party claims that we infringe, misappropriate, or violate their intellectual property rights could result in injunctive relief preventing us from developing or commercializing our drug candidates. Defense of such claims, regardless of merit, would involve substantial litigation expense and divert employee resources. Successful claims or settlements could require us to pay substantial damages and obtain licenses from third parties, which may not be available on reasonable terms or at all. Even if obtained, licenses could be non-exclusive, granting competitors access to the same technologies, and may require significant royalty payments. Inability to obtain necessary licenses could prevent us from commercializing our drug candidates.

Our commercial success depends on avoiding infringement of third-party intellectual property rights. We may be unaware of relevant patents or patent applications, as some remain confidential until issuance and publications often lag discoveries. The expanding biotechnology and pharmaceutical industries increase the risk that our drug candidates may infringe third-party patent rights. Courts may find third-party claims valid and enforceable despite our belief otherwise, and the burden of challenging such claims is high. Even favorable litigation outcomes could harm our share price if interim proceedings are perceived negatively. Such litigation could substantially increase our losses, reduce resources for development and commercialization, and create uncertainties that materially and adversely affect our business, financial condition, results of operations, and prospects.

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

Periodic maintenance fees, renewal fees, annuity fees, and various other governmental fees on patents and patent applications are due to be paid to the CNIPA, USPTO, and other patent agencies in several stages over the lifetime of a patent. The CNIPA, USPTO, and other governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. We are also dependent on our licensors to take the necessary action to comply with these requirements with respect to our licensed intellectual property. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, leading to 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 failure to respond to official actions within prescribed time limits, non-payment

of fees and failure to properly legalize and submit formal documents. In any such event, our competitors might be able to enter the market, which would materially adversely affect our business, financial condition, results of operations and prospects.

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

Our success depends heavily on obtaining and enforcing patents. Patent prosecution in biotechnology and pharmaceuticals is complex, costly, time-consuming, and uncertain. Changes in patent laws or their interpretation may increase costs and uncertainties, diminish our ability to protect our patents, and affect the value or scope of our intellectual property rights.

China and the United States have adopted first-to-file systems, awarding patents to the first party to file. Since patent applications are not published until 18 months after filing and scientific publications often lag discoveries, we cannot be certain we were first to invent or file for patent protection. This uncertainty could materially impact our ability to protect and enforce our intellectual property rights, negatively affecting our competitive position.

Changes to patent laws may alter procedures for obtaining and challenging patents, potentially diminishing the value of our intellectual property. Commercialization delays could allow competing products to render ours non-competitive. We cannot guarantee that intellectual property law changes will not adversely affect our ability to protect our intellectual property, which could materially harm our business, financial condition, results of operations, and prospects.

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

We may not be successful in obtaining or maintaining necessary rights for our development pipeline through acquisitions and in-licenses.

Because our programs may involve additional drug candidates that may require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire and maintain licenses or other rights to use these proprietary rights. We may be unable to acquire or in-license any compositions, methods of use, or other intellectual property rights from third parties that we identify on commercially reasonable terms or at all. Even if we are able to obtain such a license, it may be nonexclusive and the applicable licensor could license such intellectual property to other third parties to compete with us. If a third party does not offer us a necessary license or offers a license only on terms that are unattractive or unacceptable to us, we might be unable to develop and commercialize one or more of our product candidates, which would have a material adverse effect on our business, financial condition, results of operations and prospects. Moreover, even if we obtain licenses to such intellectual property, but subsequently fail to meet our obligations under our license agreements, or such license agreements are terminated for any other reasons, we may lose our rights to in-licensed technologies.

Moreover, one of our patents is, and may in the future be, co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. 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 materially adversely affect our business, financial condition, results of operations and prospects.

The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant program or drug candidate, which could materially adversely affect our business, financial condition, results of operations and prospects.

Our intellectual property rights do not necessarily protect us from all potential threats.

Our intellectual property rights have inherent limitations and may not adequately protect our business or maintain our competitive advantage. Others may develop similar products or technologies not covered by our patents, or independently develop non-infringing alternatives. We or our licensors may not have been first to invent or file patent applications for certain inventions. Our pending patent applications may not result in issued patents, and issued patents may be held invalid or unenforceable through legal challenges. Competitors may conduct research in countries where we lack patent rights and use that information to develop competing products for our major markets. We may not develop additional patentable technologies, and third parties may file patents covering intellectual property we chose to protect as trade secrets. Any of these events could materially and adversely affect our business, financial condition, results of operations, and prospects.

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

We currently hold issued trademark registrations and have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the registration or maintenance of the same. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our products mature, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, or engaging in conduct that constitutes unfair competition, defamation or other violation of our rights, our business could be materially adversely affected.

Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors or other third parties may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. Our efforts

to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our business, financial condition, results of operations, and prospects.

Recently enacted and future legislation may increase the difficulty and cost for us to obtain regulatory approval of and commercialize new product candidates or existing ones under expanded indications and affect the prices we may be able to charge.

In China, the European Union, the United States, and some other jurisdictions, a number of legislative and regulatory changes and proposed changes regarding healthcare could prevent or delay regulatory approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell our products and any product candidates for which we obtain regulatory approval. In recent years, there have been and will likely continue to be efforts to enact administrative or legislative changes to healthcare laws and policies, including measures that may result in more rigorous coverage criteria and downward pressure on the price we receive for any approved product. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to commercialize our products, generate revenue, or attain profitability. We cannot be sure whether additional legislative changes will be enacted, or whether NMPA or other comparable regulatory agency's regulations, guidance or interpretations will be changed, or what the impact of such changes on the regulatory approvals of our product candidates, if any, may be. Changes in these areas could impose more stringent requirements on us and increase our compliance and other operating costs, and we may not be able to achieve or sustain profitability.

We are subject to stringent privacy laws, information security policies and contractual obligations governing the use, processing, and cross-border transfer of personal information and our data privacy and security practices.

We store significant volumes of sensitive information, including employee, personal, and patient data. We are subject to evolving data protection laws in China, the United States, and other jurisdictions, which may result in increased scrutiny, enforcement, sanctions, and compliance costs.

Our information technology infrastructure may be vulnerable to cyberattacks, viruses, employee error, or malfeasance. Breaches could allow unauthorized access to, manipulation, disclosure, loss, or theft of stored information, resulting in legal claims, regulatory penalties, and liability under privacy laws. Data breaches could also damage our reputation and disrupt critical operations, including research and development, financial management, and administrative functions. Any of these events could materially and adversely affect our business, financial condition, results of operations, and prospects.

We have in the past and may in the future conduct clinical trials, registration, and post-market surveillance of our products and product candidates in different jurisdictions, which involve the collection and storage of personal health information for scientific purposes, and it may require cross-border transfer of personal or scientific data, which subjects us to relevant laws and regulations. Our transfer of data may be limited or even restricted if the information is considered of national security interest in certain jurisdictions in which case, our business may be adversely affected as a result.

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

of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities. Moreover, Cyberspace Administration of China issued the Measures on Security Assessment of the Cross-border Transfer of Personal Information (Draft for Comment) (《個人信息出境安全評估辦法(徵求意見稿)》) in June 2019, pursuant to which, any cross-border transfer of information that may endanger national security, damage public interest, or fail to offer effective protection of personal information security, as assessed by relevant regulatory bodies, will be prohibited. It is unclear if and the extent to which our clinical data will be considered as an endangerment to national or personal information security, if the regulation becomes effective. On July 7, 2022, the CAC published the Measures for the Security Assessment of Outbound Data Transmission (《數據出境安全評估辦法》) which took effect on September 1, 2022. It specifies the circumstances in which data processors providing data outbound shall apply for outbound data transfer security assessment with the Cyberspace Administration, including, among others, the exit data contains important data. There remain uncertainties whether we would be subject to the outbound data transfer security assessment. Cross-border data transfer from other jurisdictions may also be limited. As cross-border transfer of personal data by its nature is subject to general data privacy regulations in various jurisdictions, and may lead to a restriction of transferring our data across different jurisdictions.

Risks Relating to Our Reliance on Third Parties

We sometimes work with third parties to develop our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates, and our business could be materially harmed.

We rely on third-party collaborators, including CROs and CMOs, to conduct preclinical studies and clinical trials. While we control only certain aspects of their activities, we remain responsible for ensuring compliance with applicable protocols and regulatory requirements. Failure by our collaborators or clinical investigators to comply with GCPs and GMP regulations could render clinical data unreliable, requiring additional trials and delaying regulatory approval.

If relationships with collaborators terminate, we may be unable to secure replacements on commercially reasonable terms. Since these parties are not our employees, we cannot control their resource allocation to our programs. Failure to fulfill contractual duties, meet deadlines, or maintain data quality could extend, delay, or terminate our clinical trials, preventing regulatory approval or commercialization. Switching or adding collaborators involves additional costs and delays. Any failure of third-party collaborators could materially and adversely affect our business, financial condition, results of operations, and prospects.

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

We have formed and may continue to form strategic alliances, joint ventures, and collaborations, including licensing arrangements with third parties to complement our development and commercialization efforts. Such relationships may require us to incur charges, increase expenditures, issue dilutive securities, or disrupt management and business operations.

Strategic collaborations involve numerous risks. We may not achieve expected revenue and cost synergies within anticipated timeframes, or at all, and synergies may be offset by collaboration costs or other problems. We face significant competition in seeking partners, and negotiations are time-consuming and complex. Third parties may view our drug candidates as too early-stage or lacking commercial viability. Collaborating means relinquishing control over a drug candidate's future success to the third party.

Collaborations are subject to additional risks, including disputes that cause delays, termination, or costly litigation; partners' discretion in allocating resources; partners abandoning programs due to strategic changes, funding issues, or external factors; partners delaying or stopping trials; partners developing competing drugs; inadequate marketing commitment; exclusive rights preventing other collaborations; improper IP protection or use; unfavorable litigation settlements; collaboration termination requiring additional capital; partners owning resulting IP; co-ownership disputes; and partners' non-compliance with laws.

We may be unable to successfully integrate collaborations or achieve anticipated benefits. If unable to reach agreements with suitable partners on acceptable terms, we may need to curtail, delay, or reduce development programs, or undertake activities at our own expense. This may require additional expertise and capital that may not be available. Failure to enter collaborations or lack of sufficient funds could prevent us from developing or commercializing our drug candidates, materially and adversely affecting our business, financial condition, results of operations, and prospects.

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

We may use third-party manufacturers for clinical and commercial supply of our drug candidates in addition to our in-house facilities. Reliance on third-party manufacturers exposes us to significant risks. We may be unable to identify manufacturers on acceptable terms due to limited availability and the requirement for NMPA or other regulatory authority evaluation and GMP-compliance inspections. Third-party manufacturers may be unable to timely produce the quantity and quality required to meet our clinical and commercial needs. We may not own or may have to share intellectual property rights to manufacturing process improvements, and manufacturers may improperly use our intellectual property, potentially exposing us to litigation and liability, or may infringe third-party intellectual property rights. Raw materials and components may be unavailable or unsuitable due to defects, and manufacturers may be subject to natural or man-made disasters.

These risks could delay or prevent completion of clinical trials or regulatory approval, increase costs, or adversely impact commercialization. Additionally, if third parties performing specification tests on our drug candidates do not conduct tests appropriately or produce unreliable data, patients could face serious harm and regulatory authorities could impose significant restrictions until deficiencies are remedied. Any of these events could materially and adversely affect our business, financial condition, results of operations, and prospects.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We are a pre-revenue biotechnology company. We have incurred significant net losses since our inception and throughout the Track Record Period, and anticipate that we will continue to incur net losses for the foreseeable future. Potential investors may lose substantially all their investments in us given the high risks involved in our business.

Investment in pharmaceutical drug development is highly risky. It entails substantial upfront capital expenditures and significant risk that a drug candidate will fail to gain regulatory approval or become commercially viable. We continue to incur operating loss related to our ongoing operations. We have incurred losses in each period since our inception. In 2024 and 2025, we incurred net losses of RMB123.4 million and RMB129.8 million, respectively. Substantially all of our operating losses have resulted from costs incurred in connection with our research and development programs and from general and administrative expenses associated with our operations.

As of the Latest Practicable Date, only Mufemilast for Ps had been approved for marketing and sale in China. We have not generated any revenue from the sale of pharmaceutical products, and we will continue to incur significant R&D and other expenses related to our on-going operations. We expect to continue to incur losses in the foreseeable future, and we expect these losses to increase as we continue and expand our development of, and seek regulatory approvals for, our drug candidates, and continue to build up our commercialization and sales force in anticipation of the potential approval of our drug candidates for commercialization. If our drug candidates fail in clinical trials, do not gain regulatory approval, or fail to achieve commercialization, we may never become profitable. Even if achieved, profitability may not be sustained. Failure to become and remain profitable could impair our ability to raise capital, maintain operations, and could result in loss of your investment.

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

We are a development-stage biopharmaceutical company. Our operations to date have focused on business planning, raising capital, establishing our intellectual property portfolio, drug discovery and conducting pre-clinical studies and clinical trials of our drug candidates. As of the Latest Practicable Date, Only Mufemilast for Ps has been approved for commercial sale and did not generate any revenue from developed product sales. We have limited experience in large-scale commercial manufacturing and sales and marketing of drugs. Our limited operating history, particularly in light of the rapidly evolving biopharmaceutical industry, may make it difficult to evaluate our current business and reliably predict our future performance. We may encounter unforeseen expenses, difficulties, complications, delays, and other known and unknown challenges. If we do not address these risks and difficulties successfully, this could materially adversely affect our business, financial condition, results of operations, and prospects.

We had net operating cash outflows during the Track Record Period.

We had net cash used in operating activities of RMB91.3 million and RMB81.2 million in 2024 and 2025, respectively. While we believe we have sufficient working capital to fund our current operations, we expect that we may continue to experience net cash outflows from our operating activities for the foreseeable future. If we are unable to maintain adequate working capital, we may default on our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations, and prospects.

We recorded net current liabilities during the Track Record Period and may continue to have deficit going forward, which can expose us to liquidity risk.

We had net current liabilities of RMB30.4 million as of December 31, 2025. While we believe we have sufficient working capital to fund our current operations, we may have net current liabilities for the foreseeable future. If we are unable maintain adequate working capital or obtain sufficient equity or debt financings to meet our capital needs, we may be unable to continue our operations according to our plans and be forced to scale back our operations, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We will need to obtain additional financing to fund our operations, and if we fail to obtain such financing, we may be unable to complete the development and commercialization of our primary drug candidates.

Our drug candidates will require completion of their clinical development, regulatory review, significant marketing efforts, and substantial investment before they can provide us with product sales revenue. Our operations have consumed substantial amounts of cash since inception. Our operating activities used RMB91.3 million and RMB81.2 million of net cash in 2024 and 2025, respectively. We expect to continue to spend substantial amounts on drug discovery, advancing the clinical development of our drug candidates, and launching and commercializing any approved drug candidates for which we receive regulatory approval.

Our cash and cash equivalents, financial assets, potential milestone payments, and [**REDACTED**] may be insufficient to complete drug candidate development, commercial launch, or meet future operating requirements. We may require further funding through [**REDACTED**], debt financing, or collaborations. Our financial resource forecast involves risks and uncertainties, and we could exhaust capital sooner than expected.

Future funding requirements depend on clinical trial progress and costs, regulatory approval timing and costs, drug candidate licensing, intellectual property costs, marketing costs, collaboration terms, acquisitions, milestone and royalty payments, manufacturing costs, and headcount growth.

Adequate additional funding may not be available on acceptable terms or at all. If unable to raise capital when needed, we would be forced to delay or terminate research and development or commercialization efforts, which could materially and adversely affect our business, financial condition, results of operations, and prospects.

RISKS RELATING TO OUR GENERAL OPERATIONS

Any failure to obtain, maintain, or renew various licenses and permits or any change to the applicable laws and regulations could harm our reputation and business, results of operations and prospects.

Pursuant to relevant laws and regulations, we are required to obtain, maintain and renew various approvals, licenses, permits and certificates from relevant authorities to operate our business. Any failure to obtain or renew any approvals, licenses, permits and certificates necessary for our operations may result in enforcement actions including orders issued by the relevant regulatory authorities to take remedial actions, suspend our operations or impose fines and penalties which could materially and adversely affect our business, financial condition and results of operations. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certificates may change from time to time, and there can be no assurance that we will be able to meet new criteria that may be imposed. If the interpretation or implementation of existing laws and regulations changes or new regulations come into effect, we may be required to obtain any additional approvals, permits, licenses or certificates and we cannot assure you that we will be able to do so. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, increase our costs, and in turn, adversely affect our business, results of operations and prospects.

Our future success depends on our ability to retain key executives and to attract, retain and motivate senior management and qualified personnel.

We are highly dependent on our management and scientific teams. These agreements do not prevent our executives from terminating their employment with us at any time. Our core research and development personnel comprise Dr. Zhang, our founder, chairman of our Board, and general manager, Dr. Zeng, our deputy general manager, and Dr. Huo, our deputy general manager, who have been crucial to our business operations. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives. Recruiting and retaining qualified scientific, clinical, manufacturing, and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers, other key employees or consultants could impede the achievement of our research, development, and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers, key employees or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products like those we develop. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain, or motivate these key personnel or consultants on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel.

We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. Our consultants and advisors may be employed by others entities and may have commitments under consulting or advisory contracts with employers that may limit their availability to us. We could experience such problems in the future. If we are unable to continue to attract and retain high-quality personnel, our ability to pursue our growth strategy will be limited. Any inability to hire and retain personnel with the talent and technical skill that we need to conduct our business could materially and adversely affect our business, financial condition, results of operations, and prospects.

Delays in completing and receiving regulatory approvals for our manufacturing facilities, or damage to, destruction of, or interruption of production at such facilities, could delay our development plans or commercialization efforts.

Drug and biological product manufacturers often encounter production difficulties, including scaling up, process validation, and ensuring reliability. These problems include logistics, costs, yields, quality control, operator error, personnel availability, and regulatory compliance. Delays or expenses at our facilities, or delays in construction or regulatory approval, could prevent us from manufacturing sufficient quantities, limiting development and commercialization. Cost overruns may require additional funding.

Our facilities will be subject to periodic GMP compliance inspections. Regulatory changes may require additional approvals. Failure to adhere to GMP regulations could lead to delays, clinical trial holds, or prevention of marketing approval. We may also face challenges with clinical-grade materials, personnel or raw material shortages, and ongoing GMP compliance. Non-compliance could result in sanctions, including fines, injunctions, penalties, trial suspensions, approval withdrawal, supply disruptions, recalls, and criminal prosecutions.

Advanced manufacturing techniques are required to utilize our facilities, and advances may render them obsolete. We must scale up production to meet market demand, and failure to do so could prevent us from producing sufficient quantities. Our facilities may be affected by disasters. Damage could prevent us from replacing capacity, and transferring manufacturing to a third party would be expensive and time-consuming. Any manufacturing interruption could prevent us from satisfying clinical trial or commercialization demands, materially and adversely affecting our business, financial condition, results of operations, and prospects.

Increased labor costs may slow our growth and affect our operations.

Since our operations are labor-intensive and require, to a certain extent, the use of the technical skills and know-how of our employees, our success depends in part on our ability to attract, retain, and motivate a sufficient number of qualified employees. There is no assurance that our initiatives to attract, retain, and motivate qualified and competent staff will be effective, or that the supply of skilled labor in local markets will be sufficient to fulfill our needs. Competition for competent and skilled labor in the biotechnology and pharmaceutical industries is intense. We may need to pay higher wages to attract talent, resulting in higher labor costs. Failure to hire and retain enough skilled employees could delay the timeline of our anticipated preclinical studies, clinical trials, and/or receipt of regulatory approvals required to commercialize our drug candidates, or cause our expenses to exceed initial budgets. Any of the foregoing changes could have a material adverse effect on our business, profitability, and prospects.

Furthermore, substantially all of our workforce is employed in China. The average labor cost in China has been steadily increasing over the past years due to government-mandated wage increases and other changes in the PRC labor laws. The PRC government may promulgate further changes in labor laws, rules, and regulations in the future, and our operations may be materially and adversely affected if such laws, rules, or regulations impose additional burden on the employers.

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

As we have limited financial and managerial resources, we focus our product pipeline on research programs and drug candidates that we identify for specific indications. As a result, we may forgo or delay pursuit of opportunities with other drug candidates or for other indications that may later prove to have greater commercial potential or a greater likelihood of success. For example, having considered the clinical study results, we have decided to put our clinical studies of Mufemilast for the treatment of AS and Hemay007 for the treatment of UC on hold as we direct our resources to those candidates which have presented with more promising results. Our investment in current and future research and development programs and drug candidates for specific indications may not yield any commercially viable products. If we fail to accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through collaboration, licensing, or other royalty arrangements when it would have been more advantageous for us to retain such development and commercialization rights, or we may allocate internal resources to a drug candidate in a therapeutic area where entering into a partnering arrangement would have been more advantageous.

If we engage in acquisitions or strategic partnerships, this 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.

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

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

Any of the foregoing risks, if they come to pass, could materially adversely affect our business, financial condition, results of operations, and prospects. 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 expenses.

Any changes in or discontinuation of preferential tax treatments and government grants currently available to us could adversely affect our business, results of operation, and financial condition.

During the Track Record Period, our Company and Tianjin Hemay Pharmaceutical were recognized as High and New Technology Enterprise, respectively, and benefited from a preferential income tax of 15%. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries, or the discontinuation of any preferential tax treatments, could adversely affect our results of operations and financial condition.

In 2024 and 2025, we recorded government grants of RMB5.2 million, and RMB5.7 million, respectively. Our eligibility to receive these financial incentives requires that we continue to qualify for them. The incentives are provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce these financial incentives, generally with prospective effect. There is no assurance that we would continue to receive such grants in the future or continue to satisfy the conditions required for receiving government grants. The reduction or discontinuation of financial incentives currently available to us could have an adverse effect on our financial condition, results of operations, cash flows and prospects.

Product liability claims or lawsuits could cause us to incur substantial liabilities.

We face an inherent risk of product liability as a result of the clinical testing and any future commercialization of our drug candidates. For example, we may be sued if our drug candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing, or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the drug, negligence, strict liability, or a breach of warranties. Claims could also be asserted under applicable consumer protection laws. If we cannot successfully defend ourselves against or obtain indemnification from our collaboration partners for product liability claims, we may incur substantial liabilities or be required to limit commercialization of our drug candidates. Even a successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in decreased demand for our drug candidates, injury to our reputation, withdrawal of clinical trial participants, and an inability to continue clinical trials, initiation of investigations by regulators, costs to defend the related

litigation, a diversion of management's time and our resources, substantial monetary awards to trial participants or patients, product recalls or withdrawals, labeling restrictions, marketing or promotional restrictions, loss of revenue, exhaustion of any available insurance and our capital resources, the inability to commercialize any approved drug candidate and a decline in the market price of our Shares.

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

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

In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may 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.

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

Most 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 providing for the reciprocal recognition and enforcement of civil case judgments of courts with the United States and some other countries. 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 do 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.

Our overseas operations are subject to risks of doing business globally.

Because we conduct certain of our pre-clinical and clinical trials outside of China, our business is subject to risks associated with doing business globally. Accordingly, our business, financial condition, results of operations and prospects could be materially adversely affected due to a variety of factors, including: changes in the political and cultural climate or economic condition of a specific country or region; unexpected changes in or failure to comply with laws and regulatory requirements in local jurisdictions; differences between national and local practice with respect to laws and regulatory requirements in a specific jurisdiction; difficulty of effective enforcement of contractual provisions in certain jurisdictions; concerns of local governments and regulators on our research and trial sites and on the relevant management arrangements; inadequate intellectual property protection in certain countries; enforcement of anti-corruption and anti-bribery laws, such as the FCPA; trade-protection measures, import or export licensing requirements such as Export Administration Regulations promulgated by the United States Department of Commerce and fines, penalties, or suspension or revocation of export privileges; the effects of applicable local tax regimes, royalties, and other payment obligations owed to local governments, and potentially adverse tax consequences; and significant adverse changes in local currency exchange rates.

One of our owned properties has title deficiency, and our lease agreements were not registered with the relevant government authorities.

As of the Latest Practicable Date, we do not have the title certificate for one of our owned properties used as for parcel delivery and guardhouse, totaling 38.7 sq.m. We may need to seek alternative premises and incur additional costs for relocation, if any significant dispute or claim arises in relation to our rights to use this property, which could adversely impact our business, financial condition and results of operations.

As of the Latest Practicable Date, we leased several properties as R&D sites and offices. Pursuant to the applicable PRC laws and regulations, property lease agreements should be registered and filed with the relevant local competent construction (real estate) department in China. As of the Latest Practicable Date, lease registration and filing was not completed with the relevant authorities for four of our lease agreements of properties which were in use as R&D sites and offices. The relevant government authorities may order us to complete the lease registration and filing for such lease agreements within a prescribed period, failing which we may be subject to a fine from RMB1,000 to RMB10,000 for each non-registered lease. We cannot assure you that we will be able to complete the lease registration and filing on a timely basis or at all in such cases, and we may be subject to penalties arising from the failure to complete the lease registration filing of lease agreements and any disputes arising from our leased properties in the future. See "Business — Properties" for further details.

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

The property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, is set out in Appendix III to this document. The report provides appraised values for our properties based on various assumptions that are inherently subjective and uncertain. These assumptions include the premise that the seller disposes of the property interest in the open market without the influence of deferred term contracts, leasebacks, joint ventures, management agreements, or similar arrangements that could impact the property's value. Some of the assumptions used by Jones Lang LaSalle Corporate Appraisal and Advisory Limited may not accurately reflect actual conditions. Additionally, unforeseen changes in general or local economic conditions, or other factors beyond our control, could significantly affect the value of our properties. Consequently, the appraised values presented in the report may differ substantially from the prices achievable in an actual market sale. These appraised values should not be regarded as the actual realizable value or an estimate of the realizable value of the properties. You should not place undue reliance on such values attributable to these properties as appraised by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

Failure to comply with the labor and social insurance-related laws and regulations may adversely affect our business, financial condition, and results of operations.

The PRC government has issued various labor-related regulations to further protect the rights of employees. Companies operating in China are required to complete related registration with the competent authorities and contribute to the government-sponsored employee benefits plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based. We provide social security insurance as required by relevant rules and regulation in China, including but not limited to general care and work-related injury insurance, for our employees. We have paid social insurance and housing provident fund contributions for our employees. However, we made such payment only based on the local minimum wage base for the employees of our Company and Xiajiang Hemay, and certain employees voluntarily waived payment of contributions, and therefore we did not make these contributions in full in accordance with the relevant PRC laws and regulations. As such, we may be required to pay any shortfall in social insurance and housing provident fund contributions within a prescribed period and penalties by the relevant authorities. See "Business — Legal Proceedings and Compliance." The interpretation and implementation of the Labor Contract Law, Social Insurance Law, and related regulations in China are continually changing. These changes make it difficult to predict compliance outcomes. We cannot guarantee that authorities won't demand settlement of shortfall amounts within a deadline or impose penalties. Non-compliance could result in fines, charges, or other regulatory actions, adversely impacting our business and financial condition.

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

In the ordinary course of our business, we or our CROs collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, intellectual property and proprietary business information. Our information technology systems and those of our CROs, partners and other contractors and consultants are vulnerable to damage from computer viruses and unauthorized access. Such information technology systems may fail of their own accord and are subject to disruptions or damages due to various factors such as power outages, human error or abuse, new system installations, security breaches, catastrophic events such as natural disasters and other events beyond our control. Moreover, hacking and data theft techniques are continuously evolving, and our anti-virus systems and security measures may not be able to adjust to these changes in a timely manner. If our information technology systems or the information technology systems of our CROs, partners, or other contractors or consultants are compromised, degraded, damaged, or breached, or otherwise cease to function properly, we may suffer disruptions to our business operations or unintentionally allow misappropriation of proprietary or confidential information, which could materially affect our reputation and result in significant expenses and legal claims. Any of these events could materially and adversely affect our business, results of operations, and reputation.

Our insurance coverage may not completely cover the risks related to our business and operations, which could expose us to significant costs and business interruptions.

Our operations are subject to hazards and risks associated with our research and development, as well as other aspects of our operations, which may cause significant harm to persons or damage to properties. We maintain different types of insurance policies, including social insurance for our employees and personal accident insurance. For details, see "Business — Insurance." However, there is no assurance that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operation if such losses or liabilities are not covered by our insurance policies.

Currently, we maintain insurance coverage against damage to our property and equipment in amounts we believe are reasonable. However, our insurance coverage may not reimburse us, or may not be sufficient to reimburse us, for any expenses or losses we may suffer. We may be unable to meet our requirements for our drug candidates and drugs if there were a catastrophic event or failure of our manufacturing facilities or processes. Any of the foregoing would materially adversely affect our business, financial condition, results of operations and prospects.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.

We incur portions of our expenses, in currencies other than the RMB, in particular, the U.S. dollar and Australian dollar. As a result, we are exposed to foreign currency exchange risk as our results of operations and cash flows are subject to fluctuations in foreign currency exchange rates. We currently do not engage in hedging transactions to protect against uncertainty in future exchange rates between particular foreign currencies and the RMB. A decline in the value of the RMB against currencies in countries in which we conduct clinical trials could have a negative impact on our research and development costs. We cannot predict the impact of foreign currency fluctuations, and foreign currency fluctuations in the future may adversely affect our financial condition, results of operations and cash flows.

Substantially all of our costs are denominated in RMB and most of our financial assets are also denominated in RMB. We rely entirely on dividends and other fees paid to us by our PRC subsidiaries. Our [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against RMB may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars. An appreciation of RMB against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into RMB. Conversely, if we decide to convert our RMB into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against RMB would have a negative effect on the Hong Kong dollar amount available to us.

Any future force majeure events, natural disasters, acts of war or terrorism, the outbreak of any pandemics, or the occurrence of other incidents that are beyond our control may adversely affect our business, results of operations, and financial condition.

Our business could be materially and adversely affected by potential interruptions beyond our control, including natural disasters such as fires, earthquakes, hurricanes, floods, tornadoes, and other severe weather conditions, as well as pandemic outbreaks, global health emergencies, wars, terrorist acts, power shortage, or communication disruptions. Any of these occurrences in China or elsewhere in the world could have a material and adverse impact on our business operations and financial performance. Public health emergencies in any market where we operate, such as avian flu, SARS, Ebola, or the more recent COVID-19 pandemic, could delay our clinical trials, regulatory submissions, and required approvals of drug candidates, and cause us to incur additional costs. The commencement of new clinical trials could be substantially delayed or prevented by any delay or failure in patient recruitment or enrollment in our or our collaborators' trials due to pandemic outbreaks. If we are unable to effectively develop and commercialize our drug candidates due to protracted clinical trials of enrolled patients, elevated public health safety measures, and/or failure to recruit and conduct patient follow-up, we may not be able to generate revenue from sales of our drug candidates as planned.

Any such disruptive event could also significantly impact our industry and cause a temporary suspension or closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of contracting an epidemic disease, since this could require us or our business partners to quarantine some or all of these employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic, or other outbreak harms the PRC and global economy in general. Our operations could also be severely disrupted if our patients were affected by natural disasters, health epidemics, or other outbreaks.

RISKS RELATED TO THE [REDACTED]

***There has been no prior* [REDACTED] *for our H Shares and there can be no assurance that an active market will develop or be sustained after the* [REDACTED].**

Prior to this [**REDACTED**], there was no [**REDACTED**] for our H Shares. The [**REDACTED**] is the result of negotiations between us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and may differ significantly from the [**REDACTED**] of our H

Shares following the [**REDACTED**]. We have applied for the [**REDACTED**] of, and permission to [**REDACTED**] in, our H Shares on the Stock Exchange. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] market for our H Shares will develop, or if it does develop, will be sustained following the [**REDACTED**] or that the [**REDACTED**] of our H shares will not drop below the [**REDACTED**] at any time after the completion of the [**REDACTED**].

The* [REDACTED] *and* [REDACTED] *of our H Shares may be volatile.

The [**REDACTED**] and [**REDACTED**] of our H Shares may be volatile and fluctuate materially due to various factors, such as (i) variations in our drug development programs and operating results; (ii) our announcement of changes to our expectations or targets for timing of milestones associated with our drug development milestones; (iii) our announcement of the outcome of clinical trials for our drug candidates; (iv) other announcements made by us or our competitors or other biotech companies; (v) investors' perception of us; (vi) changes in pricing made by us or our competitors; (vii) actual or anticipated fluctuations in our revenues and results of operations; (viii) news regarding the recruitment or loss of key personnel by ourselves or our competitors; (ix) announcements of competitive developments, acquisitions, or strategic alliances in our industry; (x) changes in earnings estimates or recommendations by financial analysts, regardless of the accuracy of the information on which their estimates are based; (xi) potential litigations; (xii) general market conditions or other developments affecting us or our industry; (xiii) the operating and stock price performance of other companies, other industries, and other events or factors beyond our control; (xiv) the depth and liquidity of the market for our Shares; and (xv) sales or perceived sales of additional H Shares by us or other Shareholders.

Biotech companies listed under Chapter 18A of the Listing Rules are generally viewed as being early stage and significantly riskier than those companies traditionally listed on the Stock Exchange. The trading market for biotech companies (including the depth and liquidity for that market) may take time to develop and could be subject to significant and adverse changes. Our H Shares and the shares of other biotech companies could be subject to significant volatility unrelated to company-specific performance or corporate developments. For example, adverse announcements by another unrelated biotech company could adversely impact the [**REDACTED**] for our Shares.

Moreover, the Stock Exchange and other securities markets have from time to time experienced material price and volume fluctuations that were unrelated, or not directly related, to the operating performance of specific companies. These broad market and industry fluctuations may have a material and adverse effect on the [**REDACTED**] and [**REDACTED**] of our H Shares. In addition, the volatility in the [**REDACTED**] of our H Shares may negatively impact our ability to raise capital in the future through the issuance of additional equity securities.

You will incur immediate and substantial dilution and may experience further dilution if we issue additional H Shares in the future.

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our H Shares in the [**REDACTED**] may experience an immediate dilution in the [**REDACTED**] consolidated net tangible asset value. To expand our business, we may consider offering and issuing additional H Shares in the future. Purchasers of the [**REDACTED**] may also experience dilution in the net tangible asset value per Share of their H Shares if we issue additional H Shares in the future at a price lower than the net tangible asset value per Share at that time.

Future sales or the market perception of sales of a substantial number of our H Shares on the* [REDACTED] *could adversely affect the* [REDACTED] *of our H Shares.

After the completion of the [**REDACTED**], future sales of a substantial number of our H Shares or other securities relating to our H Shares on the [**REDACTED**], the issuance of new H Shares or other securities relating to our H Shares, or the market perception that such sales or issuances may occur, could adversely affect the [**REDACTED**] of our H Shares and our ability to raise future capital at a favorable time and price. We cannot predict the effect of any future sales or market perception of sales of a substantial number of our H Shares on the [**REDACTED**] on the [**REDACTED**] of our H Shares.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of other Shareholders.

Immediately upon completion of the [**REDACTED**], our Controlling Shareholders will be entitled to exercise approximately [**REDACTED**]% voting rights in our Company. As a result, our Controlling Shareholders will have significant influence over our business, including decisions regarding mergers, consolidations, liquidations, the sale of all or substantially all of our assets, election of directors, and other significant corporate actions.

Our Controlling Shareholders may take actions that are not in the best interest of our Company or our other Shareholders. This concentration of ownership may discourage, delay, or prevent a change in control of our Company, which could deprive our other Shareholders of the opportunity to receive a premium for their shares as part of a sale of our Company and may reduce the price of our H Shares. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover, or other change of control transactions that our other Shareholders may view as beneficial.

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

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

You should read the entire document carefully and only rely on the information included in this document to make your investment decision. We strongly caution you not to rely on any information contained in press articles or other media coverage relating to us or the [**REDACTED**]**.**

We strongly caution our [**REDACTED**] not to rely on any information contained in press articles or other media coverage regarding us or the [**REDACTED**]. Prior to the publication of this document, there may be press and media coverage regarding us, our business, our industry, and the [**REDACTED**]. 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.

We cannot assure you whether and when we will declare and pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of shareholders at the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under the relevant generally accepted accounting principles, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions, and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when, and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividends."

Under existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from the State Administration of Foreign Exchange of the PRC (the "SAFE") by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Further, we cannot assure you that there will be no future changes to these foreign exchange policies regarding payment of dividends in foreign currencies.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [**REDACTED**] information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance, and [**REDACTED**] should not place undue reliance.

Holders of our H Shares may be subject to PRC income tax on dividends from us or any gains realized on the transfer of our H Shares.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and a non-PRC investor's jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have an establishment or place of business in China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within China unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得税法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家税務總局關於個人所得税若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprises with foreign investment are exempted from individual income tax for the time being. In accordance with the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax. Thus it is unclear whether dividends we pay with respect to our H Shares, or the gains realized from the transfer of our H Shares, would be subject to PRC income tax. If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

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

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. As of the Latest Practicable Date, none of our executive Directors resided in Hong Kong.

Since the business operations of our Group are primarily managed and conducted outside of Hong Kong, and all our executive Directors ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

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

(i) we have appointed Mr. Chen and Ms. Ng Wai Kam ("**Ms. Ng**") as the authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. Our Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Accordingly, our Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. Our Company will also inform the Stock Exchange promptly in respect of any change in our Authorized Representatives;

(ii) Ms. Ng, one of our joint company secretaries and a Hong Kong resident, will, among other things, act as our Company's additional channel of communication with the Stock Exchange and be able to answer enquiries from the Stock Exchange. Ms. Ng will maintain contact with our Directors, Supervisors and senior management through various means, including regular meetings and telephone discussions whenever necessary;

(iii) to facilitate communication with the Stock Exchange, we have provided our Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers, facsimile number and/or e-mail addresses, where available) of each of our Directors such that our Authorized Representatives would have the means for contacting all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. In the event that any Director expects to travel or otherwise be out of office, they will endeavour to provide their phone number of the place of their accommodation to our Authorized Representatives. Our Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period, when required;

(iv) we have appointed Maxa Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon [**REDACTED**] pursuant to Rules 3A.19 of the Listing Rules. Our Compliance Advisor will have access at all times to our Authorized Representatives, Directors, Supervisors and senior management and act as the additional channel of communication with the Stock Exchange and answer enquiries from the Stock Exchange. We will also inform the Stock Exchange promptly in respect of any change in our Compliance Advisor;

(v) meetings between the Stock Exchange and our Directors could be arranged through our Authorized Representatives or our Compliance Advisor, or directly with our Directors within a reasonable time frame; and

(vi) we will also appoint professional advisors (including legal advisors and accountants) after the [**REDACTED**], if necessary, to assist us in dealing with any questions or queries raised by our Company and to ensure that there will be efficient communication with the Stock Exchange.

APPOINTMENT OF JOINT COMPANY SECRETARIES

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

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

We have appointed Mr. Chen as one of our joint company secretaries. He has extensive experience in corporate governance matters, information disclosure, investor relationship and secretarial affairs. He has a thorough understanding of the operations of our Board and our Company and has gained experience in handling corporate governance and general administrative matters relating to our Company. However, as he presently does not possess the qualifications required under Rules 3.28 and 8.17 of the Listing Rules, we have appointed Ms. Ng as the other joint company secretary to assist Mr. Chen in discharging the duties of a company secretary. Ms. Ng is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Ng therefore meets the qualification requirements under Rule 3.28 of the Listing Rules.

Our joint company secretaries will be jointly discharging the duties and responsibilities of a company secretary. Ms. Ng will be assisting Mr. Chen in gaining the relevant experience required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Chen will also be assisted by our Compliance Advisor for the first full financial year starting from the [**REDACTED**]; and our Hong Kong legal advisor on matters regarding our ongoing compliance with the Listing Rules and the applicable Hong Kong laws and regulations. In addition, Mr. Chen will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of an [**REDACTED**] on the Stock Exchange.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has [granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Chen as our joint company secretary on the condition that Mr. Chen will be assisted by Ms. Ng as our joint company secretary throughout the Waiver Period. Being a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and by virtue of her experience in corporate secretarial practice and administration management, Ms. Ng is, in our Directors' opinion, a qualified and suitable person to render assistance to Mr. Chen so as to enable her to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge her duties. In addition, Mr. Chen will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules

and will enhance his knowledge of the Listing Rules during the Waiver Period. Our Company will further ensure that Mr. Chen has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an [**REDACTED**] on the Stock Exchange.

See "Directors, Supervisors and Senior Management" for further information regarding the qualifications of Mr. Chen and Ms. Ng.

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

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

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

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

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

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Stock Exchange be included in the accountant's report to the prospectus. Rule 18A.03(3) of the Listing Rules requires that a biotech company must have been in operation in its current line of business for at least two financial years prior to listing under substantially the same management.

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

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

In compliance with the abovementioned requirements under the Listing Rules, the Accountant's Report is prepared to cover the years ended December 31, 2024 and 2025. As such, we have applied to the SFC for, and the SFC has [granted], a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding the inclusion of the accountant's report covering the full three financial years immediately preceding the issue of this document on the following grounds:

(a) our Company falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;

(b) the Accountant's Report for each of the years ended December 31, 2024 and 2025 has been prepared and is set out in Appendix I to this document in accordance with Rule 18A.06 of the Listing Rules;

(c) given that our Company is only required to disclose its financial results for the years ended December 31, 2024 and 2025 in accordance with Chapter 18A of the Listing Rules and preparation of the financial results for the year ended December 31, 2022 would require additional work to be performed by our Company and our reporting accountants, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for our Company;

(d) notwithstanding that the financial results set out in this document are only for the years ended December 31, 2024 and 2025 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this document pursuant to the relevant requirements; and

(e) the Accountant's Report covering the years ended December 31, 2024 and 2025, together with other disclosures in this document, has already provided adequate and reasonably up-to-date information for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of our Company. Therefore, the exemption would not prejudice the interest of the investing public.

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
ZHANG Hesheng (張和勝)	7-1-401, YijingLanting, South of East Sixth Road, West of North Huanhe Road, Airport Economic Zone, Tianjin, PRC	Chinese
CHEN Yingwei (陳英偉)	18-4 Guanlanyujing Garden, Northwest of the junction of Yingui Road and Jingfu Road, Dongli Lake Street, Dongli District, Tianjin, PRC	Chinese
HUO Aihong (霍愛紅)	Room 3, Building 13, Guanlanyujing Garden, Northwest of the junction of Yingui Road and Jingfu Road, Dongli Lake Street, Dongli District, Tianjin, PRC	Chinese
Non-executive Director		
ZHANG Guangneng (章廣能)	12-2, Building 8, Beibin Sun City, No. 78 Beicheng 2nd Road, Jiangbei District, Chongqing, PRC	Chinese
Independent Non-executive Directors		
SHAO Leilei (邵雷雷)	602, Unit 5, 6/F, Building 25, Ruixiangli, Chaoyang District, Beijing, PRC	Chinese
YANG Cheng	Room 502, Unit 1, Building 28, Wenjia Garden, No. 67 Tongsheng Road, Haitang Street, Jinnan District, Tianjin, PRC	American
JIA Meng (賈夢)	Flat C, 20/F, Tower 1, Island Crest, 8 First Street, Sai Ying Pun, Hong Kong	Chinese

SUPERVISORS

WEI Xiaodi (魏小弟)	Room 504, No. 1 Building, Lianfa.Junxi, No. 12 Dengfeng Avenue, Zhanggong District, Ganzhou, PRC	Chinese
ZHANG Donglei (張冬雷)	2-2-201, Tiankuo Garden, southwest of the intersection of Jinyang Highway and Wanben Road, Xiqing District, Tianjin, PRC	Chinese
LV Jingjing (呂晶晶)	No. 501, Gate 1, Building 4, Xinyue Jiayuan, Lishuang Highway, Shuanggang Town, Jinnan District, Tianjin, PRC	Chinese

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

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

SDIC Securities Corporate Finance (Hong Kong) Limited
39/F, One Exchange Square
Central
Hong Kong

[REDACTED]

Legal Advisors to the Company

As to Hong Kong law:
King & Wood
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC law and PRC intellectual properties law:
King & Wood
17/F, One ICC Shanghai ICC
999 Huai Hai Road (M)
Shanghai, PRC

Legal Advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Ashurst Hong Kong** 43/F, Jardine House 1 Connaught Place Central Hong Kong *As to PRC law:* **Tian Yuan Law Firm** Suite 509, Tower A Corporate Square 35 Financial Street Xicheng District Beijing, China
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 Nanjing West Road Jing'an District Shanghai, PRC
Compliance Advisor	**Maxa Capital Limited** Unit 2602, 26/F, Golden Centre, 188 Des Voeux Road Central, Sheung Wan, Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

CORPORATE INFORMATION

Headquarter and registered office in the PRC	West Section of Green Source Avenue, West District, Hi-Tech Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province, PRC
Principal Place of Business in Hong Kong	Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Company's Website	www.hemay.com.cn *(the information contained on the website does not form part of this document)*
Joint Company Secretaries	Mr. Chen Yingwei (陳英偉) 18-4 Guanlanyujing Garden, Northwest of the junction of Yingui Road and Jingfu Road, Dongli Lake Street, Dongli District, Tianjin, PRC Ms. Ng Wai Kam (伍偉琴) Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong *(an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)*
Authorized Representatives	Mr. Chen Yingwei (陳英偉) 18-4 Guanlanyujing Garden, Northwest of the junction of Yingui Road and Jingfu Road, Dongli Lake Street, Dongli District, Tianjin, PRC Ms. Ng Wai Kam (伍偉琴) Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Audit Committee	Ms. Jia Meng (賈夢) *(Chairperson)* Mr. Shao Leilei (邵雷雷) Dr. Yang Cheng
Remuneration and Assessment Committee	Dr. Yang Cheng *(Chairman)* Mr. Chen Yingwei (陳英偉) Mr. Shao Leilei (邵雷雷)

Nomination Committee	Mr. Shao Leilei (邵雷雷) *(Chairman)* Dr. Zhang Hesheng (張和勝) Ms. Jia Meng (賈夢)
Strategic Committee	Dr. Zhang Hesheng (張和勝) *(Chairman)* Mr. Chen Yingwei (陳英偉) Dr. Huo Aihong (霍愛紅)

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Zhanggong District, Ganzhou City
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AUTOIMMUNE DISEASE DRUG MARKET

An autoimmune disease is a condition where the immune system mistakenly attacks the body, which can be associated with either overactivity or underactivity of the immune system. Both genetic and environmental factors can contribute to the development of autoimmune diseases, which may place significant economic and social burdens upon patients.

Treatment for autoimmune diseases has shifted from traditional symptomatic relief with medications like non-steroidal anti-inflammatory drugs (NSAIDs), glucocorticoids, and disease-modifying anti-rheumatic drugs (DMARDs) to more targeted therapies addressing the root causes. These therapies specifically target components of the immune system involved in the disease process, such as cytokines, immune cells, and signaling pathways.

The global autoimmune disease drug market increased from US$116.9 billion in 2019 to US$143.1 billion in 2024, with a CAGR of 4.1% from 2019 to 2024. The number is projected to reach US$179.5 billion in 2028 to US$192.3 billion in 2032 with a CAGR of 5.8% from 2024 to 2028 and a CAGR of 4.0% from 2028 to 2032.

According to statistics from the National Health Commission, approximately 80 million people in China suffer from autoimmune diseases. China's autoimmune disease drug market increased from USD2.4 billion in 2019 to USD4.6 billion in 2024, with a CAGR of 14.2% from 2019 to 2024. The number is projected to reach USD12.1 billion in 2028 and USD26.3 billion in 2032 with a CAGR of 27.6% from 2024 to 2028 and 21.4% from 2028 to 2032.

Growth Drivers and Future Trends of the Autoimmune Drug Market

The growing opportunity for autoimmune disease drugs in China is largely attributable to the following factors: (i) Increasing number of rheumatology and immunology department; (ii) Large patient number and requirement of long term treatment, autoimmune diseases are difficult to cure and becoming the third most common type of chronic diseases, the large number of patients requiring long-term or lifelong medication drives up the demand for relevant drugs; (iii) Favorable policies and reimbursement systems such as "Healthy China 2030" plan, reimbursement system reforms. (iv) Growing public awareness and growing demand for personalized treatment; Advances in genetic sequencing and biomarker identification are enabling healthcare providers to tailor therapies to individual patient profiles, improving efficacy and reducing adverse effects. This shift towards personalized medicine is driving demand for more targeted and patient-specific treatment options in the autoimmune diseases market.

Autoimmune Drug Market Entry Barriers

In the autoimmune disease drug market, new entrants face significant challenges in terms of R&D and production investment. The pathogenesis of autoimmune diseases is highly complex, involving intricate immune system dysregulations that require a deep understanding of immunology, molecular biology, and other advanced scientific disciplines. Developing effective drugs necessitates substantial financial resources to support long-term laboratory research, extensive clinical trials, and the establishment of production facilities that meet stringent regulatory standards. The high costs associated with these activities create a formidable barrier for new firms seeking to enter the market. Additionally, the lengthy R&D cycle and the need for continuous investment in innovation further exacerbate the financial burden on new entrants.

Psoriasis (Ps) Drug Market

Overview of Ps and Related Treatments in China

Ps is an autoimmune disease triggered by certain environmental exposures that result in chronic inflammatory skin condition typically characterized by growth of extra blood vessels, over-rapid replication of skin cells, and well-demarcated, raised erythematous plaque with silver scales. Ps can occur at any stage of life, though it has two peaks of onset between the ages of 30 to 39 and 50 to 69. PsA is a type of arthritis that affects some psoriasis patients, typically causing swelling, stiffness, and pain in the affected joints. It is a chronic condition that may progressively worsen over time. The global incidence rate of Ps is 1% to 3%, while in China, the incidence rate of Ps is approximately 0.47%. Globally, more than 40 innovative systemic or targeted drugs are now approved for psoriasis, with over 100 additional candidates in clinical development.

Ps are classified into psoriasis vulgaris, pustular psoriasis, erythrodermic psoriasis, and PsA based on their distinct clinical manifestations. Ps could be classified as mild, moderate, and severe using evaluation tools such as the Ps Area and Severity Index (PASI), Physician Global Assessment (PGA), and Dermatology Life Quality Index (DLQI).

Within the total prevalent population, approximately 53.6% of patients have moderate-to-severe disease and 46.4% have mild disease.

Plaque psoriasis, which accounts for 80% to 90% of psoriasis cases, is a type of psoriasis vulgaris with peak occurrence in winter. It is clinically observed to be symmetrical and most commonly affects the scalp, knees, extensor surfaces of the elbows, and the gluteal cleft. The number of patients with plaque psoriasis in China reached 5.9 million in 2024, this number is projected to increase to 6.0 million in 2028 and remain 6.0 million in 2032, with a CAGR of 0.3% from 2024 to 2028 and a CAGR of 0.2% from 2028 to 2032. The targeted patients with moderate to severe plaque psoriasis in China in 2024 was 3.2 million. The number of patients with moderate to severe plaque psoriasis was 3.2 million in 2024. This number is expected to be 3.2 million in 2028 and in 2032 at a CAGR of 0.3% from 2024 to 2028 and a CAGR of 0.2% from 2028 to 2032.

In China, Ps treatment is categorized based on type and severity. Mild psoriasis vulgaris is treated with topical therapies, while moderate to severe cases are managed using a combination of topical treatments, systemic therapies (including traditional treatments, biologics, and targeted small-molecule drugs), and phototherapy. Pustular and erythrodermic psoriasis are generally treated with systemic therapies. PsA treatment involves an evaluation of symptoms, severity, and comorbidities, with initial treatment using NSAIDs and DMARDs. Biologics and targeted small-molecule drugs are considered if the initial treatment proves ineffective.

As China is one of the countries with the highest tuberculosis (TB) burden globally, many psoriasis patients in China have varying TB infection statuses. According to an expert consensus on the estimation of the national burden on latent tuberculosis infection in China, the prevalence of LTBI in people aged 15 and above is 20.3%. For patients at risk of concurrent TB infection, the safety of biologic therapies requires heightened attention to ensure patient well-being.

The standard treatment paradigm for psoriasis patients considering biologic therapy includes comprehensive TB screening. However, according to a multicenter retrospective study of 2,704 psoriasis patients, only 33.2% underwent TB screening before starting biologic treatment. Of those screened, 9.5% tested positive for TB. Among the positive cases, only 27.1% received preventive anti-TB treatment, with the majority undergoing a three-month combined therapy of isoniazid and rifampin, and a few receiving isoniazid alone for six months. This study underscores the currently low rate of psoriasis patients undergoing TB screening prior to biologic treatment. It is recommended to conduct follow-up TB evaluations at the third and sixth months after starting biologic therapy, then every six months thereafter, continuing until three months after treatment cessation. In 2024, the number of psoriasis patients who tested positive for TB is approximately 0.6 million.

In addition to the risk of reactivating latent TB infection, other pain points in the treatment of psoriasis in China include: (i) unequal accessibility to dermatology specialists and medications, with many patients experiencing delayed diagnosis and inadequate treatment, leading to unnecessary, uncontrolled and irreversible deformities according to the WHO; (ii) the lack of curative options, as available medications only manage symptoms without addressing the root cause; and (iii) various side effects associated with existing medications, such as hepatotoxicity and nephrotoxicity from methotrexate or cyclosporine, and teratogenic risks from oral retinoids.

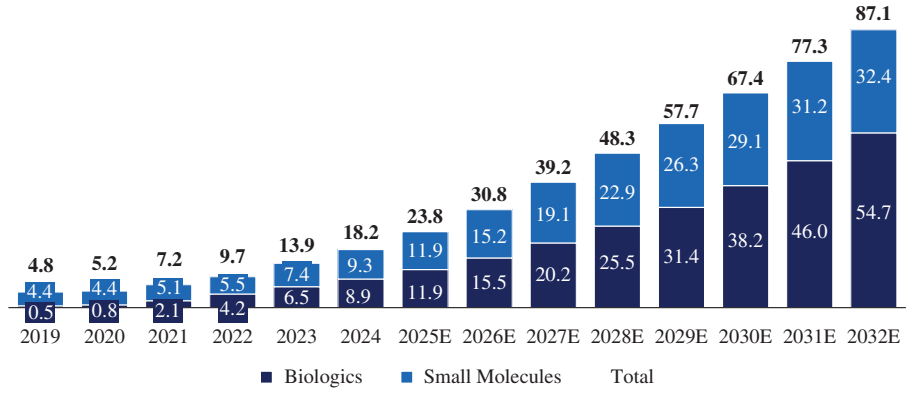
China's Ps Drug Market

Since 2019, 16 innovative targeted agents (6 small-molecule and 10 biologic) for psoriasis treatment have been newly approved in China. Looking ahead, additional innovative drugs are expected to launch in succession, these innovative drugs with better efficacy and safety gain share among moderate-to-severe patients. In addition, the ongoing development of new therapies and the expansion of treatment options will continue to support market growth, even as the rate of growth moderates.

China's psoriasis drug market size reached RMB18.2 billion in 2024, with a CAGR of 30.5% from 2019 to 2024. The market size is projected to increase to RMB48.3 billion in 2028 and RMB87.1 billion in 2032, with a CAGR of 27.6% from 2024 to 2028 and 15.9% from 2028 to 2032, as shown in the following chart:

China Psoriasis Drug Market, 2019-2032E

Period	CAGR		
	Biologics	Small Molecules	Total
2019-2024	81.3%	16.4%	30.5%
2024-2028E	30.0%	25.1%	27.6%
2028E-2032E	21.0%	9.1%	15.9%



Source: Frost & Sullivan Analysis

The rapid growth of the psoriasis treatment market in China from 2019 to 2024 can be largely attributed to the concentration of approvals for biologics and small molecule drugs, particularly those targeting PDE4, JAK, and interleukins. These new approvals expanded the range of effective treatment options available to patients, fueling market expansion. However, from 2024 to 2032, the market is expected to experience a declining CAGR. This trend is anticipated due to the inclusion of some treatments in the national health insurance, which reduces the annual treatment costs for patients. Additionally, as patents for some drugs expire, the potential emergence of generic drugs and their inclusion in centralized procurement processes could further lower treatment costs. These factors are likely to contribute to a slowdown in market growth.

As of the Latest Practicable Date, 19 targeted drugs for psoriasis treatment have been approved in China, comprising 5 small-molecule drugs and 14 biologics. These treatments include Apremilast with the same target as the Mufemilast, drug such as Adalimumab targeting TNF-a, Some drugs have demonstrated superior performance than Apremilast in head to head clinical trail, such as Sotyktu, a TYK2 inhibitor developed by BMS.

For moderate-to-severe psoriasis, various systemic treatments are available, including retinoids, methotrexate, cyclosporine, and other immunosuppressants. These treatments are often used in combination with topical therapies. Topical treatments include corticosteroids to reduce inflammation and slow skin cell growth, vitamin D analogues like calcipotriol to normalize skin cell production, and emollients to moisturize and soothe the skin. For localized treatments, phototherapy using UVB or PUVA light can be effective for more severe cases. These options provide a range of choices for managing psoriasis symptoms. Biologics are another option, known for their rapid onset and good long-term efficacy. Apremilast, an oral small molecule targeted drug, has a faster onset of action compared to traditional oral medications, with effects seen within two weeks. It is notably recommended in the 2023 Chinese Psoriasis Treatment Guidelines, highlighting PDE4 inhibitor's importance in the treatment landscape. Additionally, there are 64 targeted drug candidates for psoriasis treatment currently under development in China, with 4 in the New Drug Application (NDA) stage and 19 in Phase III clinical trials.

Competitive Landscape of Innovative Drugs for Psoriasis Treatment in China

Marketed Drugs for Psoriasis Treatment in China

Brand Name	INN	Company	Target	Modality	NMPA First Approval Date	Indication	Medical Insurance[1]	RoA	Strength	Price (RMB)	Annual Treatment Cost (RMB)	2024 Annual Sale (M USD)
Symbiox®	Benvitimod	Guangdong Zhonghao Pharmaceutical	AHR	Small Molecule	2019/5/29	Mild to moderate stable chronic plaque psoriasis	B	Topical	10g:0.1g(1%)	138.0	NA	NA
Otezla®	Apremilast	Amgen	PDE4	Small Molecule	2021/8/12	Moderate to Severe Plaque Psoriasis	B	Oral	30mg*60	942.0	~11,000	2,126.0
Rinvoq®	Upadacitinib	Abbvie	JAK1	Small Molecule	2022/3/29	PsA	B	Oral	15mg	1,833.4	~23,900	5,971.0
Xeljanz®	Tofacitinib	Pfizer	JAK1, JAK2, JAK3	Small Molecule	2022/10/18	PsA	B	Oral	5mg	785.9	~21,000	1,168.0
Sotyktu®	Deucravacitinib	BMS	TYK2	Small Molecule	2023/10/18	Moderate to Severe Plaque Psoriasis	B	Oral	6mg	1,484.0	~20,800	246.0
/	**Mufemilast**	**Hemay**	**PDE4**	**Small Molecule**	**2025/9/30**	**Moderate to Severe Plaque Psoriasis**	**/**	**Oral**	**/**	**/**	**/**	**/**
PECONDLE®	Picankibart	Innovent	IL-23p19	Biologic	2025/11/25	Moderate to severe plaque Psoriasis	/	Injection	100mg	6,500.0	/	/
Yisai Tuo®	SSGJ-608	3s guojian Pharmaceutical	IL17A	Biologic	2026/2/10	Moderate to severe plaque Psoriasis	/	Injection	/	/	/	/
Remicade®	Infliximab	Janssen	TNF-α	Biologic	2013/8/4	Plaque Psoriasis	B	Injection	100mg	2,006.8	~64,000	1,605.0
Humira®	Adalimumab	Abbvie	TNF-α	Biologic	2017/3/3	Moderate to Severe Plaque Psoriasis	B	Injection	40mg/0.4ml	1,290.0	~35,000	8,993.0
Stelara®	Ustekinumab	J&J	IL12 p40	Biologic	2017/11/7	Moderate to Severe Plaque Psoriasis	B	Injection	45mg/0.5ml	4,015.74	~24,000	10,361.0
Cosentyx®	Secukinumab	Novartis	IL17A	Biologic	2019/3/28	Moderate to Severe Plaque Psoriasis	B	Injection	300mg/2ml	1,323.71	~22,500	6,141.0
Taltz®	Ixekizumab	Eli Lilly	IL17A	Biologic	2019/9/3	Moderate to Severe Plaque Psoriasis	B	Injection	80mg/mL	1,218.0	~22,000	3,260.4
Tremfya®	Guselkumab	Janssen	IL-23p19	Biologic	2019/12/31	Moderate to Severe Plaque Psoriasis	B	Injection	100mg/1mL	4,571.0	~36,600	3,670.0
Lumicef®	Brodalumab	Amgen	IL17RA	Biologic	2020/6/17	Moderate to Severe Plaque Psoriasis	/	Injection	210 mg/1.5mL	NA	NA	NA
益路取®	Tildrakizumab	MSD	IL-23p19	Biologic	2023/5/26	Moderate to Severe Plaque Psoriasis	B	Injection	100mg/1mL	4,360	~26,160	NA
安達靜®	Vunakizumab	Hengrui	IL17A	Biologic	2024/8/20	Moderate to Severe Plaque Psoriasis	/	Injection	120mg/1mL	980	~29,400	NA
金立希®	Xeligekimab	GenrixBio	IL17A	Biologic	2024/8/20	Moderate to Severe Plaque Psoriasis	/	Injection	100mg/1mL	798	~27,100	NA
愛達羅®	Ebdarokimab	Akeso bio	IL12 p40	Biologic	2025/4/15	Moderate to Severe Plaque Psoriasis	/	Injection	135mg/1mL	NA	NA	NA

Note: As of June 2, 2026 Category B drugs in NRDL are those that can be selected for clinical treatment, have definite therapeutic effects, but are more expensive than Category A drugs. When insured persons use Category B drugs, they need to pay a certain proportion out-of-pocket.

Phase III and Above Pipeline Drugs for Psoriasis Treatment in China

Drug Code	Company	Modality	Target	Indication	Highest Phase	First Posted Date	Route of administration
AK111 (Gumokimab)	Akeso	Biologic	IL17A	Moderate and Severe Plaque Psoriasis	NDA	2025/1/27	Injection
JNJ-77242113-AAC (Icotrokinra)	Protagonist Therapeutics | Johnson & Johnson	Small Molecule	IL23R	Moderate and Severe Plaque Psoriasis	NDA	2025/11/19	Oral
JS005	Junshi Biosciences	Biologic	IL17A	Moderate and Severe Plaque Psoriasis (chronic)	NDA	2025/12/6	Injection
LZM012	Livzon Pharmaceutical Group Inc	Biologic	IL17A, IL17F	Plaque Psoriasis, Psoriasis Vulgaris	NDA	2025/12/24	Injection
SHR0302 (Ivarmacitinib)	Hengrui Medicine	Small Molecule	JAK1	Psoriatic Arthritis	Phase III	2021/7/9	Oral
Guselkumab	Johnson & Johnson	Biologic	IL-23p19	Psoriatic Arthritis	Phase III	2023/2/6	Injection
HPP737	Newsoara Biopharma	Small Molecule	PDE4	Moderate and Severe Plaque Psoriasis	Phase III	2023/3/1	Oral
XKH004	LIVZON MABPHARM INC.	Biologic	IL17A, IL17F	Moderate to Severe Plaque Psoriasis (chronic)	Phase III	2023/6/27	Injection
Bimekizumab	UCB Pharma	Biologic	IL17A, IL17F	Moderate and Severe Plaque Psoriasis	Phase III	2023/10/24	Injection
HB0017	Huabo Biopharm	Biologic	IL17A	Moderate and Severe Plaque Psoriasis	Phase III	2024/2/26	Injection
Netakimab	Shangyao Bokang Biomedical (Shanghai)	Biologic	IL17A	Moderate and Severe Plaque Psoriasis	Phase III	2024/4/15	Injection
TAK-279 (Zasocitinib)	Takeda	Small Molecule	TYK2	Moderate and Severe Plaque Psoriasis	Phase III	2024/5/10	Oral
HS-10374	Hansoh Pharmaceutical	Small Molecule	TYK2	Moderate and Severe Plaque Psoriasis	Phase III	2024/10/14	Oral
SHR-1314 (Vunakizumab)	SUZHOU SUNCADIA BIOPHARMACEUTICALS	Biologic	IL17A	Psoriatic Arthritis	Phase III	2024/10/14	Injection
QX004N	Qyuns	Biologic	IL-23p19	Moderate and Severe Plaque Psoriasis	Phase III	2025/2/19	Injection
ICP-488	Beijing InnoCare Pharma Tech	Small Molecule	TYK2	Moderate and Severe Plaque Psoriasis	Phase III	2025/2/20	Oral
HS-20137	Qyuns	Biologic	IL-23p19	Moderate and Severe Plaque Psoriasis	Phase III	2025/3/21	Injection
SYHX1901	CSPC	Small Molecule	JAK1,TYK2, JAK3, SYK	Moderate and Severe Plaque Psoriasis	Phase III	2025/5/30	Oral
D-2570	Inventisbio	Small Molecule	TYK2	Moderate and Severe Plaque Psoriasis	Phase III	2025/7/2	Oral
BMS-986165	Bristol Myers Squibb	Small Molecule	TYK2	Moderate and Severe Plaque Psoriasis	Phase III	2025/10/15	Oral
IBI112 (Picankibart)	Innovent	Biologic	IL-23p19	Moderate and Severe Plaque Psoriasis	Phase III	2025/11/14	Injection
SCT650C	SinoCelltech	Biologic	IL17	Moderate and Severe Plaque Psoriasis	Phase III	2025/11/27	Injection
WD-890	Zhejiang Wenda Pharmaceutical Technology	Small Molecule	TYK2	Moderate to Severe Plaque Psoriasis	Phase III	2026/3/18	Oral

Note: As of June 2, 2026. In September 2025, the NMPA approved the NDA for Mufemilast for the treatment of moderate to severe plaque Ps.

Source: CDE, Frost & Sullivan Analysis

Medications that are commercially available on the market for clinical use are only to control the symptoms of psoriasis, yet no cure of psoriasis is available. The current benchmark of most clinical trials of medications for psoriasis show a 75% reduction in the PASI score (PASI 75), and PASI 75 is the FDA-approved criterion for efficacy of new psoriasis treatments. Therefore, a psoriasis medication that would result in a complete cure of psoriasis is still to be sought.

However, as China bears one of the highest tuberculosis (TB) burdens globally, psoriasis patients may present with varying TB infection statuses. For those at risk of concurrent TB infection, the safety of biologics requires heightened attention. It is therefore recommended to conduct follow-up evaluations at the third and sixth months after initiating biologic therapy, and every six months thereafter until three months after treatment cessation.

Growth Drivers and Future Trends of the Ps Drug Market

The Ps drug market's growth has primarily been driven by: (i) rising prevalence and growing awareness, as environmental, lifestyle, and genetic factors contribute to increasing cases, while improved public and clinical awareness enable earlier diagnosis and higher treatment demand; and (ii) the long-term nature of psoriasis treatment, with its chronic and recurring nature necessitating continuous management and long-term medication use.

Future trends of the Ps drug market include: (i) the development of oral targeted therapies, such as JAK and PDE4 inhibitors, which offer a convenient alternative to injectable biologics, improving patient adherence and satisfaction; (ii) the growing impact of psoriasis drugs being included in the National Reimbursement Drug List (NRDL), which leads to reduced drug prices, enhances patient affordability, and increases access to effective treatments; and (iii) a shifting focus toward combination therapies, which combine different treatment classes (such as biologics with oral therapies or topical treatments) to achieve synergistic effects, enhance efficacy, and address multiple disease mechanisms.

Behçet's Disease (BD) Drug Market

Overview of BD and Related Treatments

BD (also known as Behçet's syndrome) is a chronic, recurrent, systemic vasculitis that can affect multiple organs and systems, including the skin, mucous membranes, eyes, joints, gastrointestinal tract, and central nervous system. It is an autoimmune disease believed to be caused by a combination of genetic and environmental factors. This condition predominantly affects individuals aged 15 to 50 and is more frequently observed in regions along the ancient Silk Road, encompassing parts of the Mediterranean and Far East.

The number of patients with BD around the world increased from 842,500 in 2019 to 1.1 million in 2024, with a CAGR of 3.8% from 2019 to 2024. The number of patients is expected to reach 1.2 million in 2028 and increase to 1.3 million in 2032 at a CAGR of 3.7% from 2024 to 2028 and a CAGR of 3.5% from 2028 to 2032.

The number of patients with BD in China increased from 207,100 in 2019 to 240,100 in 2024, with a CAGR of 3.0% from 2019 to 2024. The number of patients is expected to reach 267,700 in 2028 and 295,800 in 2032 at a CAGR of 2.8% from 2024 to 2028 and at a CAGR of 2.5% from 2028 to 2032.

BD remains incurable at present. The primary objectives of treatment are to promptly suppress inflammatory exacerbations and recurrences, prevent irreversible organ damage, and slow the progression of the disease. Treatment strategies are tailored to each patient's unique presentation and include general management, local care, systemic medication, and, in some cases, surgical intervention. During acute phases, rest and proper oral hygiene are emphasized to reduce the risk of relapses and secondary infections. Systemic treatments are categorized by organ involvement. NSAIDs and colchicine are used for skin and joint issues. Ocular inflammation may require corticosteroids, immunosuppressants, or biologic agents. Gastrointestinal involvement may require aminosalicylic acid, sulfasalazine, or cyclophosphamide. Vascular and neurological complications may require glucocorticoids, immunosuppressants, or TNFα inhibitors. The goal is to individualize care to effectively manage symptoms and improve the patient's quality of life. General treatment for patients during the acute active phase should involve bed rest. Between episodes, attention should be paid to preventing relapses, such as maintaining oral hygiene and avoiding the intake of irritating foods to prevent damage to the oral mucosa. When oral or genital ulcers occur, wound care is recommended to prevent secondary bacterial infections. Patients with oral or vulvar ulcers may apply topical corticosteroids locally. For patients with ocular inflammation, intraocular injections of triamcinolone acetonide or sustained-release corticosteroids may be applied. Patients with gastrointestinal perforation or those at risk of aneurysm rupture may consider surgical treatment.

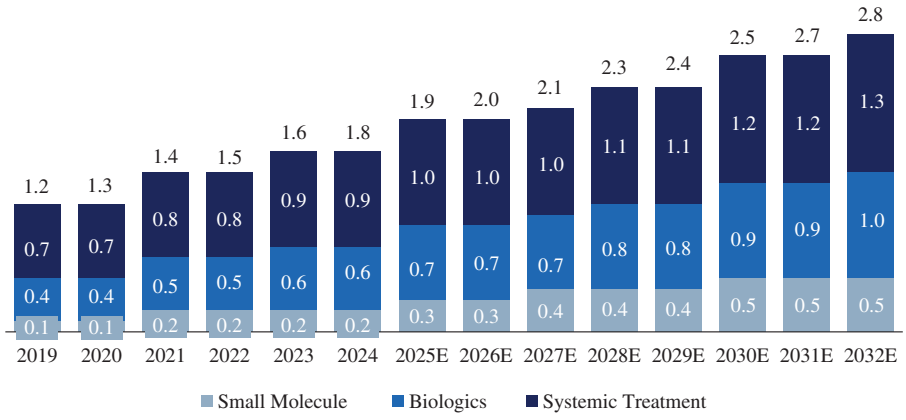
Pain points in the treatment of BD in China include: (i) the lack of targeted drugs for systemic symptom control and disease progression suppression, as current treatments primarily rely on nonspecific medications like corticosteroids, immunosuppressants, and biologics, which manage symptoms but fail to address the root cause or halt progression; (ii) significant side effects associated with existing drugs, including systemic toxicity, infection risks, organ damage, and metabolic disturbances from long-term use of corticosteroids and immunosuppressants, as well as secondary infections and malignancies from biologics; and (iii) diagnostic challenges due to the absence of specific biomarkers, with multisystem manifestations often leading to delayed diagnoses or misdiagnoses by overlapping with other autoimmune or infectious conditions.

Global BD Drug Market

The global BD drug market increased from US$1.2 billion in 2019 to US$1.8 billion in 2024, with a CAGR of 8.4% from 2019 to 2024. It is estimated to grow to USD2.3 billion in 2028 and reach USD2.8 billion by 2032, with the CAGR of 6.6% from 2024 to 2028 and a CAGR of 5.4% from 2028 to 2032, as shown in the following chart:

Global Behcet's Disease Drug Market, 2019-2032E

Billion USD	Period	CAGR			
		Small Molecules	Biologics	Systemic Treatment	Total
	2019-2024	23.8%	9.8%	5.0%	8.4%
	2024-2028E	14.0%	6.1%	4.6%	6.5%
	2028E-2032E	7.9%	6.0%	3.9%	5.4%



Note: Systemic treatment drugs include NSAIDs, corticosteroids, immunosuppressants, and others.

Source: Frost & Sullivan Analysis

The charts below set forth the global market drugs for BD treatment:

Global Marketed Drugs for Behcet's Disease Treatment

Brand Name	INN	Company	Target	First Approval Date	Indication	Strength	Price per unit (USD)[1]	2024 Annual Sale (M USD)
Humira®	Adalimumab	Abbvie	TNF-α	PMDA:2013/5/16	Behcet's Disease	20mg/Injection	~160	8,993.0
Remicade®	Infliximab	Janssen	TNF-α	PMDA:2015/8/24	Behcet's Disease	100mg/bottle	~660	1,605.0
Otezla®	Apremilast	Amgen	PDE4	FDA:2018/7/19 PMDA:2019/9/20	Oral ulcers associated with Behçet's Disease	10mg/Tablet	~33	2,126.0

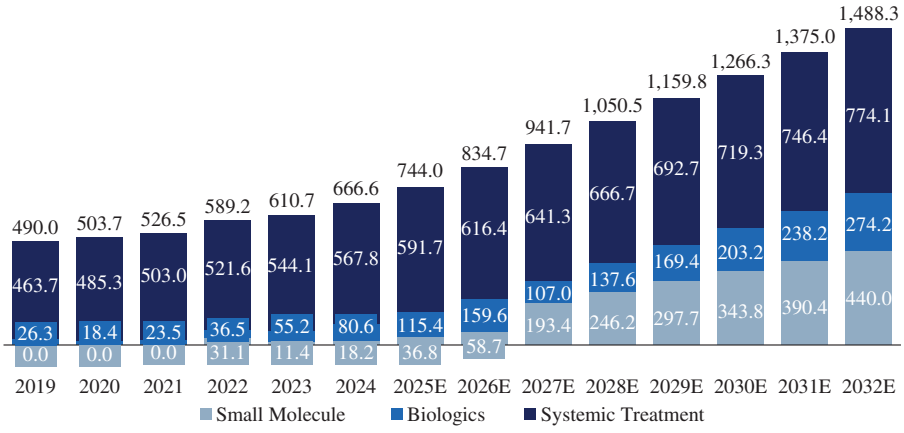
Note: [1] The per-unit price shown is the figure recorded in the first region where the product obtained marketing approval.

China BD Drug Market

The China BD drug market increased from RMB490.0 million in 2019 to RMB666.6 million in 2024, with a CAGR of 6.4% from 2019 to 2024. It is estimated to grow to RMB1,050.5 million in 2028 and RMB1,488.3 million by 2032, with the CAGR of 12.0% from 2024 to 2028 and a CAGR of 9.1% from 2028 to 2032, as shown in the following chart:

China Behcet's Disease Drug Market, 2019-2032E

Million RMB	Period	CAGR			
		Small Molecules	Biologics	Systemic Treatment	Total
	2019-2024	N/A	25.1%	4.1%	6.4%
	2024-2028E	91.7%	14.3%	4.1%	12.0%
	2028E-2032E	15.6%	18.8%	3.8%	9.1%



Note: Systemic treatment drugs include NSAIDs, corticosteroids, immunosuppressants, and others.

Source: Frost & Sullivan Analysis

The Behçet's-drug market will keep expanding but its CAGR is set to ease after 2028, because as of LPD only one Ph 3 and four Ph 2 assets (all small-molecule) plus one Ph 1 biologic are in development. Consequently, the small-molecule segment compare with biologics and systemic treatment segment is poised for faster growth over 2028-2032E, while the biologic modality's CAGR will merely hold or slightly increase as the lone Phase I biologic is not expected to launch until near the end of the period.

As of the Latest Practicable Date, three targeted drugs for Behcet's Disease treatment have been approved globally. Among them, Apremilast is an oral phosphodiesterase-4 inhibitor that can effectively improve oral and external genital ulcers with minimal adverse reactions. Apremilast is recommended in EULAR recommendations for the management of Behçet's syndrome: 2025 update.

Global Competitive Landscape of Innovative Drugs for BD Treatment

Global Marketed Drugs for Behcet's Disease Treatment

Brand Name	INN	Company	Target	First Approval Date	Indication	2024 Annual Sale (M USD)
Humira®	Adalimumab	Abbvie	TNF-α	PMDA: 2013/5/16	Behcet's Disease	8,993.0
Remicade®	Infliximab	Janssen	TNF-α	PMDA: 2015/8/24	Behcet's Disease	1,605.0
Otezla®	Apremilast	Amgen	PDE4	FDA: 2018/7/19 PMDA: 2019/9/20	Oral ulcers associated with Behçet's Disease	2,126.0

Global Pipeline Drugs for Behcet's Disease Treatment

Drug Code	Company	Modality	Target	Highest Phase	First Posted Date	Study Location	Route of Administration
Mufemilast	**Hemay**	**Small Molecule**	**PDE4/PDE4B**	**Phase III**	**2023/11/24**	**China**	**Oral**
GLPG0634 (Filgotinib)	Galapagos	Small Molecule	JAK1	Phase II	2024/2/29	Netherlands	Oral
SGX945 (Dusquetide)	Soligenix	Small Molecule	SQSTM1	Phase II	2024/4/26	Turkey	Injection
HSK44459	Haisco Pharmaceutical Group	Small Molecule	PDE4B	Phase II	2025/3/10	China	Oral
Upadacitinib	Abbvie	Small Molecule	JAK1	Phase II	2025/7/23	China	Oral
RAY121	Roche/Chugai Pharmabody Research	Biologic	C1S	Phase I	2024/4/17	US, Japan, Canada, etc.	Injection

Note: As of June 2, 2026

Source: CDE, Frost & Sullivan Analysis

Growth Drivers and Future Trends of the BD Drug Market

The BD drug market's growth has primarily been driven by: (i) rising prevalence and enhanced disease awareness, particularly in regions like Asia-Pacific and the Middle East, with improved diagnostic techniques and greater awareness among medical professionals enabling earlier and more accurate detection, thereby expanding the patient pool that requires treatment; and (ii) the ineffectiveness of traditional therapies, as traditional medications such as NSAIDs, corticosteroids, immunosuppressants, and biologics offers only partial symptom control and can cause significant side effects, necessitating the development of targeted therapies.

Future trends of the BD drug market include: (i) advancements in emerging technologies and genetic research, such as gene chip technology to identify CD4+ T cell abnormalities and the discovery of PIGL-217 for targeted therapies; (ii) a growing focus on precision medicine and personalized treatments, aimed at improving symptom management by targeting specific disease mechanisms; and (iii) increased multidisciplinary collaboration among specialists in rheumatology, ophthalmology, dermatology, and neurology to develop comprehensive and personalized therapeutic strategies, enhancing diagnostic accuracy, improving patient outcome, and fostering innovation in treatment approaches.

Ulcerative Colitis (UC) Drug Market

Overview of UC and Related Treatments

UC, a form of inflammatory bowel disease, is an immune-mediated disorder characterized by chronic mucosal inflammation of the colon and alternating periods of active disease and remission. While UC is more common in Western countries, the incidence and prevalence of UC have been steadily rising in China. The exact cause of UC remains unknown, but it is believed to involve immune system dysfunction. Risk factors include diet, stress, heredity, age, race or ethnicity, and family history. Symptoms vary and may include hematochezia, abdominal and rectal pain, rectal bleeding, urgency to defecate, weight loss, fatigue, and fever. In children, UC may also lead to failure to thrive.

According to Frost & Sullivan, the number of patients with UC in China increased from 400,200 in 2019 to 583,900 in 2024, with a CAGR of 7.8%. The number is expected to grow to 786,600 in 2028 and 1.1 million in 2032, with a same CAGR of 7.7% between 2024 and 2028 and between 2028 and 2032. Approximately 69.7% of UC patients are in moderate to severe stage. The number of patients with moderate to severe ulcerative colitis in China increased from 278,900 in 2019 to 407,000 in 2024, with a CAGR of 7.8%. The number is expected to grow to 548,300 in 2028 and 737,100 in 2032, with a same CAGR of 7.7% between 2024 and 2028 and between 2028 and 2032.

The treatment paradigm for UC in China follows a structured approach based on disease severity. Diagnosis is established through clinical manifestations and confirmed by colonoscopy, radiological imaging, or mucosal biopsy. For mild cases, treatment typically includes 5-aminosalicylic acid (5-ASA) and steroids. Treatment for moderate cases may incorporate additional therapies such as thiopurine drugs, thalidomide, infliximab, granulocyte and monocyte apheresis. Severe UC may require more intensive treatment, including general treatment with intravenous glucocorticoids, ciclosporin, tacrolimus, or surgery. The treatment aims to achieve a short-term clinical response, medium-term clinical remission based on biomarker standards, and long-term mucosal healing as confirmed through endoscopic examination.

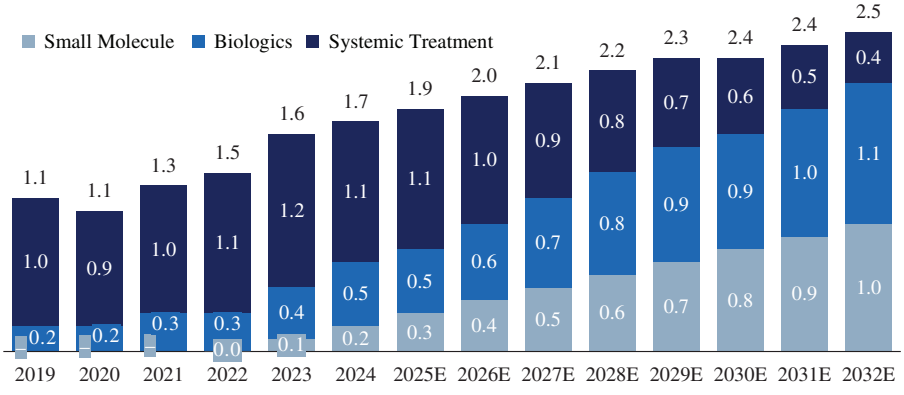
Pain points in UC treatment in China include: (i) the lack of a definitive diagnostic standard, which can result in delayed diagnosis, worsen disease progression, and heighten the risk of complications such as colorectal cancer and extraintestinal manifestations; (ii) the limited effectiveness of traditional treatments, such as 5-aminosalicylic acid (5-ASA) and glucocorticoids, which have limited success in achieving mucosal healing and remission, with long-term use potentially leading to dependency and adverse effects; and (iii) the absence of medications with a favorable safety profile, as traditional corticosteroids and biologic agents like infliximab may increase risks of infection and malignancies.

China's UC Drug Market

The size of China's UC drug market increased from RMB1.1 billion in 2019 to RMB1.7 billion in 2024, with a CAGR of 9.4% from 2019 to 2024. It is estimated to grow to RMB2.2 billion in 2028 and reach RMB2.5 billion by 2032, with the CAGR of 5.7% from 2024 to 2028 and a CAGR of 3.5% from 2028 to 2032, as shown in the following chart:

China Ulcerative Colitis Drug Market, 2019-2032E

Billion RMB	Period	CAGR			
		Small Molecules	Biologics	Systemic Treatment	Total
	2019-2024	NA	22.6%	3.3%	9.4%
	2024-2028E	35.2%	14.1%	-7.3%	5.7%
	2028E-2032E	13.0%	10.1%	-15.8%	3.5%



Source: Frost & Sullivan Analysis

Global Competitive Landscape of Innovative Targeted Drugs for UC Treatment

As of the Latest Practicable Date, 14 targeted drugs for UC treatment have been approved globally, comprising 6 small-molecule drug and 8 biologics.

Brand Name	INN	Company	Target	Modality	First Approval Date	Route of Administration	2024 Sales Revenue (Million USD)
Skyrizi®	Risankizumab	Boehringer Ingelheim	IL-23p19	Biologic	US: 2024-06-18 Japan: 2024-06-24 Europe: 2024-07-26 Canada: 2024-10-01 China: 2026-01-14	Injection	11,718.0
Stelara ®	Ustekinumab	Johnson & Johnson	IL12 p40	Biologics	Europe: 2019-09-04 US: 2019-10-18 Japan: 2020-03-25	Injection	10,361.0
Humira®	Adalimumab	Abbvie	TNF-α	Biologics	Europe: 2012-04-12 US: 2012-09-28 Japan: 2013-06-14	Injection	8,993.0
Rinvoq®	Upadacitinib	Abbvie	JAK1	Small Molecule	US: 2022-03-16 Europe: 2022-07-26 Japan: 2022-09-26 China:2023-02-14	Oral	5,971.0
Entyvio®	Vedolizumab	Takeda	Integrin α4β7	Biologic	US: 2014-05-20 Europe: 2014-05-22 Japan: 2018-07-02 China: 2020-03-12	Injection	5,819.9
TREMFYA®	Guselkumab	Johnson & Johnson	IL-23p19	Biologic	US: 2024-09-11 Japan: 2025-03-27 China: 2025-04-30 Europe: 2025-04-23 UK: 2025-05-19	Injection	3,670.0
Simponi®	Golimumab	Johnson & Johnson/Merck & Co.	TNF-α	Biologics	US: 2013-05-15 Europe: 2013-09-23 Japan: 2017-03-30	Injection	2,733.0
Remicade ®	Infliximab	J&J, Merck, Mitsubishi Tanabe Pharma	TNF-α	Biologic	US: 2005-09-15 Japan: 2010-06-18 China: 2018-12-24	Injection	1,605.0
Xeljanz®	Tofacitinib	Pfizer	JAK1, JAK2, JAK3	Small Molecule	Japan: 2018-05-25 US: 2018-05-30 Europe: 2018-08-01 Korea: 2025-04-07	Oral	1,168.0
Zeposia ®	Ozanimod	The Scripps Research Institute	S1PR1, S1PR5	Small Molecule	US: 2021-05-27 Europe: 2021-11-23 Japan: 2024-12-27	Oral	566.0
Jyseleca ®	Filgotinib	Galapagos	JAK1	Small Molecule	Europe: 2021-11-15 Japan: 2022-03-28	Oral	NA
CAROGRA®	Carotegrast methyl	Ajinomoto Group	ITGA4	Small Molecule	Japan: 2022-05-25	Oral	NA
Omvoh®	mirikizumab	Eli Lilly	IL-23p19	Biologic	China: 2026-02-10 US: 2023-10-26 Europe: 2023-05-26 Japan: 2023-03-27	Injection	133.0
Velsipity®	Etrasimod	Pfizer	S1PR1, S1PR4, S1PR5	Small Molecule	US: 2023-10-12 Europe: 2024-02-19 Japan: 2025-06-24 China: 2026-02-02	Oral	NA

As of the Latest Practicable Date, six targeted drugs for UC treatment have been approved in China, comprising two small-molecule drug and four biologics. Additionally, there are over 55 targeted drug candidates for UC treatment currently under development in China, with 1 in the New Drug Application (NDA) stage, nine in Phase III, 1 in Phase II/III, and 26 in Phase II clinical trial.

Competitive Landscape of Innovative Drugs for UC Treatment in China

Marketed Drugs for UC Treatment in China

Brand Name	INN	Company	Target	Modality	NMPA First Approval Date	Medical Insurance[1]	Route of Administration	Strengths	Price (RMB)	Annual Treatment Cost (RMB)
TREMFYA®	Guselkumab	J&J	IL-23p19	Biologic	2025/4/30	B	Injection	100mg:1mL	4,571.0	~50,700
Rinvoq®	Upadacitinib	Abbvie	JAK1	Small Molecule	2023/2/14	B	Oral	15mg	1,833.4	~31,200
Entyvio®	Vedolizumab	Takeda	Integrin α4β7	Biologic	2020/3/12	B	Injection	300mg:1vial	4,980.0	~44,800
Remicade®	Infliximab	J&J, Merck, Mitsubishi Tanabe Pharma	TNF-α	Biologic	2018/12/24	B	Injection	100mg:1vial	2,006.8	~64,200
Antrelli®	mirikizumab	Eli Lilly	IL-23p19	Biologic	2026/2/10	/	Injection	/	/	/
Velsipity®	Etrasimod	Pfizer	S1PR1, S1PR4, S1PR5	Small Molecule	2026/2/2	/	Oral	/	/	/

Note: As of June 2, 2026 Category B drugs in NRDL are those that can be selected for clinical treatment, have definite therapeutic effects, but are more expensive than Category A drugs. When insured persons use Category B drugs, they need to pay a certain proportion out-of-pocket.

Pipeline Drugs for UC Treatment in China

Drug Code	Company	Modality	Target	Highest Phase	First Posted Date	Route of Administration
APD-334 (Etrasimod)	Pfizer	Small Molecule	S1PR1, S1PR4, S1PR5	NDA	2024/12/17	Oral
ABX464 (Obefazimod)	Abivax	Small Molecule	REV	Phase III	2022/8/18	Oral
RPC-1063 (Ozanimod)	BMS	Small Molecule	S1PR1, S1PR5	Phase III	2022/12/9	Oral
SHR0302 (Ivarmacitinib)	Reistone Biopharma	Small Molecule	JAK1	Phase III	2021/11/12	Oral
MK-7240 (Tulisokibart)	Catalent | Merck Sharp & Dohme | MSD R&D (China)	Biologic	TL1A	Phase III	2024/5/7	Injection
RO7790121	Roche	Biologic	TL1A	Phase III	2024/11/7	Injection
PF-06480605	Pfizer	Biologic	TL1A	Phase III	2024/9/19	Injection
TEV-48574 (Duvakitug)	Teva Pharmaceutical	Biologic	TL1A	Phase III	2025/9/22	Injection
JNJ-2113	Janssen	Small Molecule	IL23R	Phase III	2025/11/18	Oral
Hemay005	**Hemay**	**Small Molecule**	**PDE4**	**Phase III**	**2026/5/11**	**Oral**
JMKX000189	Jemincare group	Small Molecule	S1PR1	Phase II/III	2023/6/5	Oral
CBP-307	Connect Biopharma	Small Molecule	S1PR1	Phase II	2018/8/16	Oral
DNL758 (Eclitasertib)	Denali Therapeutics	Small Molecule	RIPK1	Phase II	2022/10/20	Oral
D-2570	Inventisbio	Small Molecule	TYK2	Phase II	2025/5/7	Oral
CBP-307 (Icanbelimod)	Connect Biopharmaceutical (Shanghai)	Small Molecule	S1PR1	Phase II	2018/8/16	Oral
IBI112 (Picankibart)	Innovent	Biologic	IL-23p19	Phase II	2022/4/28	Injection
LNK01003	Lynk Pharmaceuticals	Small Molecule	JAK	Phase II	2022/7/12	Oral
SPH3127	Shanghai Pharmaceuticals	Small Molecule	REN	Phase II	2023/2/28	Oral
SAR443122 (Eclitasertib)	Sanofi	Small Molecule	RIPK1	Phase II	2023/5/17	Oral
JNJ-77242113-AAC (Icotrokinra)	Fisher Clinical Services | Janssen Research & Development | Catalent | Johnson & Johnson (China) Investment | Janssen Pharmaceutica	Small Molecule	IL23R	Phase II	2023/11/30	Oral
WXFL10203614	Brimed Pharmaceutical Group	Small Molecule	JAK1	Phase II	2024/6/13	Oral
WXSH0176	Cisen Pharmaceutical	Small Molecule	–	Phase II	2024/9/14	Oral
Human umbilical cord mesenchymal stem cells-allcare	Qingdao Aoke Biological Development	Biologic	–	Phase II	2024/11/29	Injection
D-2570 (Nomelcitinib)	Inventisbio	Small Molecule	TYK2	Phase II	2025/5/7	Oral
Brivekimig	Sanofi	Antibody	TNF-α; OX40L	Phase II	2025/5/16	Injection
RO7837195	Pfizer	Antibody	TL1A, IL12 p40	Phase II	2025/5/18	Injection
H021	Jiangsu Carephar Pharmaceutical	Small Molecule	miR-124	Phase II	2025/6/20	Oral
SAR441566 (Balinatunfib)	Sanofi	Biologic	TNFR1	Phase II	2025/6/20	Oral
TAK-279	Almac Clinical Services Limited | Takeda	Small Molecule	TYK2	Phase II	2025/8/6	Oral
MORF-057	Eli Lilly	Small Molecule	Integrin α4β7	Phase II	2025/9/22	Oral
ISM5411	Insilico Medicine (Shanghai)	Small Molecule	HIFPH2, HIFPH1	Phase II	2025/9/21	Oral
HRS-7085	Shandong Suncadia Medicine	Small Molecule	–	Phase II	2025/10/9	Oral
HSK47388	Haisco Pharmaceutical Group	Small Molecule	IL23	Phase II	2025/12/30	Oral
HX15001	Helixon Therapeutics	Biologic	TL1A	Phase II	2026/1/22	Injection
SSGJ-627	3s guojian Pharmaceutical	Biologic	TL1A	Phase II	2026/3/12	Injection
LY4395089	Eli Lilly	Small Molecule	–	Phase II	2026/3/19	Oral
TAN-118	Shanghai Thederma Pharmaceuticals Co., Ltd	Small Molecule	AHR	Phase II	2026/3/26	Oral
SPY003	Paragon Therapeutics	Antibody	IL23	Phase II	2026/4/1	Injection
SPY002			TL1A			
SPY001			Integrin α4β7			
IPG011	Nanjing Immunophage Biotech	Small Molecule	GPCR	Phase II	2026/4/17	Oral

Note: As of June 2, 2026

Source: CDE, Frost & Sullivan Analysis

Growth Drivers and Future Trends of the UC Drug Market

The UC drug market's growth has primarily been driven by: (i) increasing UC prevalence globally, fueled by urbanization, lifestyle changes, and improved diagnostic capabilities; and (ii) a lack of effective and accessible treatment options, as UC's complex etiology and unclear pathogenesis make curative treatments difficult, leaving patients dependent on symptom-alleviating therapies with suboptimal response rates and "secondary loss of response."

Future trends of the UC drug market include: (i) the emergence of therapies, which primarily focus on oral small-molecule drugs and injectable biologics, which often employ mechanisms of action or improved selectivity; (ii) increasing competition from biosimilars, as key branded drugs like Humira, Entyvio, and Remicade lose exclusivity as their patents and exclusivity periods expire; (iii) a growing focus on personalized therapy, as predictive tools and biomarker technologies are utilized to tailor treatments to individual patient needs; and (iv) the rise of combination therapies, leveraging synergistic effects of different drugs to enhance treatment efficacy.

Ankylosing Spondylitis (AS) Drug Market

AS is a form of arthritis that causes inflammation in the joints and tissues of the spine, causing progressive stiffness and, in severe cases, leading to a rigid spine. According to Frost & Sullivan, based on epidemiology studies, the number of AS patients in China reached 4.0 million in 2024, with a CAGR of 0.3% from 2019 to 2024, and is expected to reach 4.0 million in 2028 and 4.1 million in 2032 at a same CAGR of 0.5% from 2024 to 2028 and from 2028 to 2032.

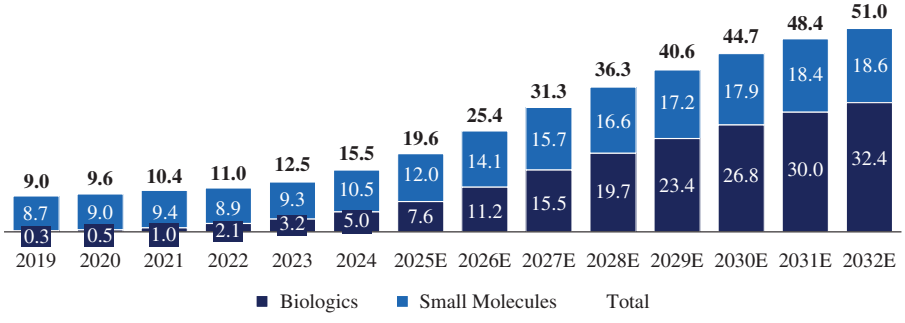
In China, the treatment paradigm for AS focuses on alleviating symptoms and enhancing the patients' quality of life. NSAIDs, used as first-line treatment, offer quick but limited relief by reducing pain, stiffness, and joint inflammation, but may cause side effects such as nausea, allergic reactions, and high blood pressure. TNF-α inhibitors, used as second-line treatment, can rapidly reduce disease activity and are shown in randomized trials to provide substantial improvements in physical function. There is no cure for AS in China at present.

According to Frost & Sullivan, the size of China's AS drug market increased from RMB9.0 billion in 2019 to RMB15.5 billion in 2024, with a CAGR of 11.4% from 2019 to 2024. It is estimated to grow to RMB36.3 billion in 2028 and RMB51.0 billion by 2032, with the CAGR of 23.6% from 2024 to 2028 and a CAGR of 8.9% from 2028 to 2032.

China Ankylosing Spondylitis Drug Market, 2019-2032E

Period	CAGR		
	Biologics	Small Molecules	Total
2019-2024	74.1%	3.7%	11.4%
2024-2028E	40.6%	12.1%	23.6%
2028E-2032E	13.3%	2.9%	8.9%

Billion RMB



Source: Frost & Sullivan Analysis

Competitive Landscape of Innovative Drugs for AS Treatment in China

Marketed Drugs for AS Treatment in China

Brand Name	INN	Company	Target	Modality	NMPA First Approval Date	Medical Insurance[1]	Route of Administration	Strength	Price (RMB)	Annual Treatment Cost (RMB)	2024 Annual Sale (M USD)
Humira®	Adalimumab	AbbVie	TNF-α	Biologic	2013/3/29	B	Injection	40mg	1,290	~33,500	8,993.0
Enbrel®	Etanercept	Pfizer	TNF-α	Biologic	2010/2/26	B	Injection	25mg	181.45	~18,900	4,006.0
Remicade®	Infliximab	Janssen Biotech	TNF-α	Biologic	2006/5/3	B	Injection	100mg	2,006.8	~80,300	1,605.0
Simponi®	Golimumab	Janssen Biotech	TNF-α	Biologic	2017/12/28	B	Injection	50mg:0.5ml/vial	4,900	~58,800	2,733.0
Cosentyx®	Secukinumab	Novartis	IL17A	Biologic	2020/4/26	B	Injection	150mg:1ml/vial	778.65	~13,200	6,141.0
Xeljanz®	Tofacitinib	Pfizer	JAK1, JAK2, JAK3	Chemical	2022/4/12	B	Oral	5mg*28tablets	785.9	~21,200	1,168.0
TALTZ®	Ixekizumab	Eli Lilly	IL17A	Biologic	2022/7/26	B	Injection	80mg:1ml/vial	1,218	~18,300	3,260.4
Rinvoq®	Upadacitinib	Abbvie	JAK1	Chemical	2023/10/24	B	Oral	15mg*28tablets	1,833.4	/	5,971.0
BIMZELX®	Bimekizumab	UCB Pharma	IL17A, IL17F	Biologic	2024/7/16	/	Injection	160mg:1ml/vial	2,500	~32,500	656.7
金立希®	Xeligekimab	Genrix Bio	IL17A	Biologic	2025/1/14	/	Injection	100mg:1ml/vial	798	~12,000	NA
艾速達®	Ivarmacitinib	Hengrui	JAK1	Chemical	2025/3/18	/	Oral	4mg*28tablets	2,580	~36,000	NA
安達靜®	Vunakizumab	Hengrui	IL17A	Biologic	2025/4/1	/	Injection	120mg:1ml/vial	980	~14,700	NA

Pipeline Drugs for AS Treatment in China

Drug Code	Company	Modality	Target	Highest Phase	First Posted Date	Route of Administration
AK111 (Gumokimab)	Akeso	Biologic	IL17A	NDA	2026/1/16	Injection
QX-002N	Qyuns	Biologic	IL17A	NDA	2026/3/10	Injection
Netakimab	Biocad	Biologic	IL17A	Phase III	2022/9/30	Injection
Gecacitinib	Suzhou Zelgen Biopharmaceuticals	Small Molecule	ALK2, JAK1, TYK2, JAK2, JAK3	Phase III	2023/5/12	Oral
XKH004	LIVZON MABPHARM /Beijing Xinkanghe Biomedical Technology	Biologic	IL17A,IL17F	Phase III	2023/7/28	Injection
LNK01001	Lynk Pharmaceuticals /Simcere Pharmaceutical	Small Molecule	JAK1	Phase III	2024/1/17	Oral
HB0017	Huaota Biopharm	Biologic	IL17A	Phase III	2025/5/19	Injection
VC005	Jiangsu Vcare Pharmatech	Small Molecule	JAK1	Phase III	2025/9/11	Oral
JS005	Junshi Biosciences	Biologic	IL17A	Phase II	2021/9/30	Injection
LNK01001	Lynk Pharmaceuticals	Small Molecule	JAK1	Phase II	2021/12/20	Oral
Hemay005	**Hemay**	**Small Molecule**	**PDE4**	**Phase II**	**2022/6/7**	**Oral**
SSGJ-608	3s guojian Pharmaceutical	Biologic	IL17A	Phase II	2024/1/29	Injection
SCT650C (SCT650A)	SinoCelltech	Biologic	IL17	Phase II	2024/8/20	Injection
PRA 023	Merck Sharp & Dohme	Biologic	TL1A	Phase II	2025/8/21	Injection
Human umbilical cord mesenchymal stem cells-cStem	Zhejiang Q-Stem Biotechnology	Biologic	-	Phase I	2023/4/6	Injection
LW402	Longwood Biopharmaceuticals	Small Molecule	JAK1	Phase I	2024/7/23	Oral
HS_SW01	Shenzhen Huishan Biotechnology	Biologic	-	Phase I	2026/3/24	Injection

Note: As of June 2, 2026 Category B drugs in NRDL are those that can be selected for clinical treatment, have definite therapeutic effects, but are more expensive than Category A drugs. When insured persons use Category B drugs, they need to pay a certain proportion out-of-pocket.

Source: CDE, Frost & Sullivan Analysis

The goal of most treatments is to relieve pain and stiffness, control or reduce inflammation, prevent complications, prevent further joint damage, maintenance of function, and improve the quality of life. Non-steroidal anti-inflammatory drugs (NSAID) are recommended as the first-line treatment and TNF inhibitors are the second-line treatment. NSAID therapy can quickly improve patients' lower back pain and stiffness, as well as reduce joint swelling and pain. However, NSAID therapy may lead to side effects such as nausea, allergy, and high blood pressure. TNF-α inhibitors can rapidly reduce disease activity and are shown in randomized trials to provide substantial improvements in function. The long-term benefit of TNF-α inhibitor therapy appears to be durable.

Growth Drivers and Future Trends of the AS Drug Market

The AS drug market's growth is driven by (i) increased demand for treatments with long-term efficacy and safety, as current options primarily focus on symptom management without halting disease progression and may lose effectiveness or cause adverse effects over time; and (ii) favorable government policies, such as healthcare insurance reforms and streamlined drug approvals, which are improving drug accessibility, reducing financial burdens for patients, and encouraging innovation in the pharmaceutical sector.

Future trends in the AS drug market include: (i) personalized treatments, driven by advancements in gene sequencing and precision medicine that enable targeted therapies tailored to patients' genotypes and specific conditions; and (ii) multidisciplinary collaboration across medical specialties for more comprehensive and personalized care.

Atopic Dermatitis (AD) Drug Market

AD ranges from mild forms such as pityriasis alba (characterized by dry, depigmented patches) or hand eczema, to severe forms like erythrodermic rash. The condition may significantly impact patients' quality of life, causing physical symptoms such as intense itching and sleep deprivation as well as psychological and social challenges.

According to Frost & Sullivan, in China, the number of patients with mild AD increased from 47.5 million in 2019 to 52.6 million in 2024, with a CAGR of 2.0% from 2019 to 2024, and is projected to reach 55.7 million in 2028 and 57.2 million in 2032. The number of patients with moderate to severe AD increased from 18.2 million in 2019 to 20.3 million in 2024, with a CAGR of 2.2% from 2019 to 2024, and is projected to reach 22.0 million in 2028 and 23.1 million in 2032.

The treatment paradigm for AD in China is structured by severity, beginning with fundamental care that includes patient education, daily skin moisturizing, and avoidance of triggers. Treatment for mild AD includes topical calcineurin inhibitors (TCI), or targeted drugs like PDE4/JAK inhibitors, with oral antihistamines added if necessary. Treatment for moderate AD may also include systemic NB-UVB or UVA1 therapy and biologic agents. Severe AD may require systemic immunosuppressants, biologic agents, short-term glucocorticoids for acute exacerbations, and whole-body UVA1/NB-UVB therapy.

According to Frost & Sullivan, China's AD drug market size increased from RMB3.8 billion in 2019 to RMB11.0 billion in 2024, with a CAGR of 23.6% from 2019 to 2024. The market size is expected to reach RMB29.7 billion in 2028 and RMB46.4 billion in 2032, with a CAGR of 28.1% from 2024 to 2028 and a CAGR of 11.8% from 2028 to 2032.

As of the Latest Practicable Date, seven targeted drugs for AD treatment have been approved in China, comprising 5 small-molecule drugs and two biologics. Additionally, there are over 80 drug candidates for AD treatment currently under development in China, with seven in the New Drug Application (NDA) stage and 18 in Phase III, 27 in Phase II.

Competitive Landscape of Innovative Drugs for AD Treatment in China

Brand Name	INN	Company	Target	Modality	NMPA First Approval Date	Medical Insurance[1]	Route of Administration	Dosage	Price (RMB)	Annual Treatment Cost (RMB)	2024 Annual Sale (M USD)
Vtama®	Benvitimod	Shenzhen Tianji Pharmaceutical	AHR	Small Molecule	2016/12/9	B	Topical	10g: 100mg	138.0	-	NA
Dupixent®	Dupilumab	Sanofi	IL-4Rα	Biologic	2020/6/17	B	Injection	2ml: 300mg	1,508.0	~42,200	14,142.8
Staquis®	Crisaborole	Pfizer	PDE4	Small Molecule	2020/7/29	B	Topical	30g (2%)	158.8	-	NA
RINVOQ®	Upadacitinib	AbbVie	JAK1	Small Molecule	2022/2/18	B	Oral	15mg (C17H19 F3N6O)*28 tablets	1,833.4	~23,900	5,971.0
CIBINQO®	Abrocitinib	Pfizer	JAK1	Small Molecule	2022/4/8	B	Oral	100mg*14 tablets	946.4	~25,600	215.0
康悦達®	Stapokibart	Keymed Bio	IL-4Rα	Biologic	2024/9/10	/	Injection	2ml: 300mg	1,812.0	~50,700	NA
艾速達®	Ivarmacitinib	Hengrui	JAK1	Small Molecule	2025/4/1	/	Oral	4mg*28 tablets	2,580.0	~36,100	NA

Pipeline Drugs for AD Treatment in China

Drug Code	Company	Modality	Target	Highest Phase	First Posted Date	Route of administration
MH004 (Tofacitinib etocomil)	Minghui Pharmaceutical	Small Molecule	JAK	NDA	2025/5/31	Topical
CBP-201	Connect Biopharma	Biologic	IL-4Rα	NDA	2025/7/8	Injection
LNK01001	Lynk Pharmaceuticals	Small Molecule	JAK1	NDA	2026/4/8	Oral
PG-011 (Pumecitinib)	Beijing Primegene	Small Molecule	JAK1, JAK2	NDA	2026/2/11	Topical
AK120 (Manfidokimab)	Zhongshan Akeso Biopharma	Biologic	IL-4Rα	NDA	2026/2/25	Injection
SSGJ-611	3s guojian Pharmaceutical	Biologic	IL-4Rα	NDA	2026/2/26	Injection
Lebrikizumab	Vetter | Eli Lilly	Biologic	IL13	NDA	2026/3/3	Injection
Gecacitinib	Zelgen Biopharmaceuticals	Small Molecule	ALK2, JAK1, TYK2, JAK2, JAK3	Phase III	2022/6/21	Oral
MM-36 (Difamilast)	Otsuka Pharmaceutical	Small Molecule	PDE4	Phase III	2022/12/14	Topical
1%OPA-15406 (Difamilast)	Otsuka Pharmaceutical	Small Molecule	PDE4	Phase III	2022/12/28	Topical
AMG 451 (Rocatinlimab)	Amgen	Biologic	OX40	Phase III	2023/7/11	Injection
AMG 451 (Rocatinlimab)	Amgen	Biologic	OX40	Phase III	2023/7/17	Injection
MG-K10 (Comekibart)	Shanghai Mabgeek Biotech	Biologic	IL-4Rα	Phase III	2023/11/29	Injection
GR1802 (Telikibart)	Genrix Bio	Biologic	IL-4Rα	Phase III	2023/12/14	Injection
HY-072808	Hefei medical and Pharmaceutical	Small Molecule	PDE4	Phase III	2023/12/15	Topical
QX005N	Qyuns	Biologic	IL-4Rα	Phase III	2024/4/18	Injection
Amlitelimab	Sanofi	Biologic	OX40L	Phase III	2024/4/19	Injection
SHR-1819	Guangdong Hengrui Pharmaceutical	Biologic	IL-4Rα	Phase III	2024/5/28	Injection
TQH2722	Chiatai Tianqing Pharma	Biologic	IL-4Rα	Phase III	2024/8/13	Injection
ICP-332 (Soficitinib)	Guangzhou InnoCare Pharma	Small Molecule	JAK1, TYK2	Phase III	2024/8/26	Oral
VC005	Jiangsu Vcare Pharmatech	Small Molecule	JAK1	Phase III	2024/12/13	Oral
QY201	E-nitiate Biopharmaceuticals	Small Molecule	JAK1, TYK2	Phase III	2025/2/7	Oral
SSGJ-611	3s guojian Pharmaceutical	Biologic	IL-4Rα	Phase III	2025/6/9	Injection
Stapokibart Iniection	Keymed Biosciences	Biologic	IL-4Rα	Phase III	2025/8/14	Injection
LW402	Longwood Biopharmaceuticals	Small Molecule	JAK1	Phase III	2026/1/27	Oral
Hemay808	**Hemay**	**Small Molecule**	**PDE4/IgE**	**Phase II**	**2020/3/13**	**Topical**
HPP737	vtv therapeutics	Small Molecule	PDE4	Phase II	2021/3/16	Oral
TT-01688-CL	TransThera Sciences (Nanjing)	Small Molecule	S1PR1	Phase II	2022/6/23	Oral
Hemay005	**Hemay**	**Small Molecule**	**PDE4/PDE4B**	**Phase II**	**2022/10/25**	**Oral**
CM326	Keymed Biosciences	Biologic	TSLP	Phase II	2022/12/7	Injection
MDI-1228_mesylate	–	Small Molecule	JAK	Phase II	2023/9/27	Topical
JYP0061	Jiayue Pharmaceutical	Small Molecule	JAK1	Phase II	2023/11/9	Oral
TUL01101	Zhuhai United Laboratories	Small Molecule	JAK1	Phase II	2023/11/13	Oral
TUL01101 (Ointment)	Zhuhai United Laboratories	Small Molecule	JAK1	Phase II	2024/3/13	Topical
BA2101	Shandong BoAn Biotechnology	Biologic	IL-4Rα	Phase II	2024/7/19	Injection
PF-07275315	Pfizer Investment CO.,Ltd | Wyeth | Pfizer	Biologic	IL13, IL4, TSLP	Phase II	2024/7/23	Injection
HJ787	Chengdu Huajian Future Technology	Chemical Drug	–	Phase II	2024/7/29	Topical
WXFL10203614	Wuxi Fortune Pharmaceutical	Small Molecule	JAK1	Phase II	2024/8/14	Oral
XKH001	Kanova	Biologic	IL25	Phase II	2024/11/1	Injection
LNK01004	Lynk Pharmaceuticals	Small Molecule	JAK	Phase II	2025/2/10	Topical
VC005	Jiangsu Vcare Pharmatech	Small Molecule	JAK1	Phase II	2025/3/14	Topical
HSK44459	Haisco Pharmaceutical Group	Small Molecule	PDE4B	Phase II	2025/4/16	Oral
ZL-82	Zenitar	Small Molecule	JAK3	Phase II	2025/4/30	Oral
H018	Jiangsu Carephar Pharmaceutical	Small Molecule	JAK1	Phase II	2025/8/4	Topical
GHZ339	Novartis	Small Molecule	–	Phase II	2025/8/15	Injection
RSS0393	Reistone Biopharma	Small Molecule	PDE4	Phase II	2025/9/3	Topical
JNJ-95597528	Johnson & Johnson	Biologic	–	Phase II	2025/11/17	Injection
IBI356	Innovent	Biologic	OX40L	Phase II	2025/12/23	Injection
IBI3002	Innovent	Biologic	IL-4Rα, TSLP	Phase II	2026/1/19	Injection
CMS-D001	China Medical System Holdings Limited	Small Molecule	TYK2	Phase II	2026/1/19	Oral
QLS12010	Qilu Pharmaceutical	Small Molecule	IRAK4	Phase II	2026/2/11	Oral
SM17	Sinolink Pharma (Suzhou) Limited	Biologic	IL17RB	Phase II	2026/2/28	Injection

Note: As of June 2, 2026

Source: CDE, Frost & Sullivan Analysis

Growth Drivers and Future Trends of the AD Drug Market in China

The AD drug market's growth has primarily been driven by: (i) a large and growing patient population in China; (ii) long-term treatment needs due to the chronic and relapsing nature of AD; (iii) favorable government policies, including accelerated drug approval and review processes; and (iv) urgent need for more affordable and widely available treatment options due to limited accessibility and economic challenges of traditional treatments.

Future trends of the AD drug market include: (i) a shift toward therapies offering better patient adherence, enhanced efficacy, and reduced toxicity; (ii) the rise of multi-target and combination therapies that allow for synergistic effects and minimize side effects; and (iii) the advancement of personalized treatment, where targeted therapies enable tailored plans based on factors like genetic profiles, disease severity, and biomarker levels.

Rheumatoid Arthritis (RA) Drug Market

Overview of RA and Related Treatments

RA is an autoimmune disease that causes inflammation that leads to thickening of the synovium, resulting in swelling and pain in and around the joints. It predominantly affects women, typically manifesting in middle age, and significantly impacts quality of life by limiting mobility and daily activities. Risk factors include family history, smoking, environmental exposures, and obesity. Complications of RA include osteoporosis, cardiovascular disease, lung disease, lymphoma, and carpal tunnel syndrome.

According to Frost & Sullivan, based on epidemiological studies, the prevalence of RA in China reached 6.1 million patients in 2024, with a CAGR of 0.7% from 2019 to 2024. The number of patients is projected to reach 6.3 million in 2028 and 6.6 million in 2032, with a CAGR of 0.9% for both 2024 to 2028 and 2028 to 2032.

Traditional synthetic DMARDs remain the first-line RA treatment, with biologics like TNF inhibitors recommended only after two or three DMARDs fail to provide adequate results. While DMARDs are the first-line treatment, they are less effective compared to biologics, such as TNF-α inhibitor monoclonal antibodies (mAbs), in relieving symptoms and preventing joint damage in moderate to severe cases.

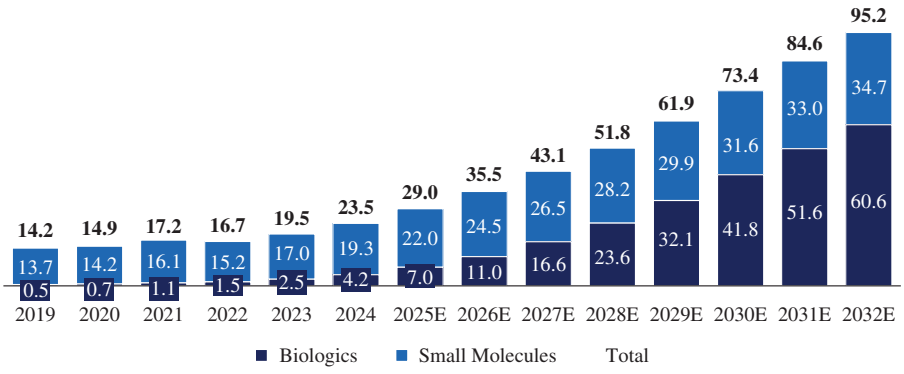
Pain points in the treatment of RA in China include (i) an insufficient number of rheumatologists, with 60% of hospitals lacking independent rheumatology departments and 80% concentrated in tertiary hospitals; (ii) insufficient disease awareness and patient education, as many patients rely on unproven folk remedies over standardized treatments; (iii) limitations of traditional drugs like DMARDs, which have slow onset, gastrointestinal side effects, and frequent injections, while biologics, though more effective, pose infection risks and compliance challenges; (iv) the absence of an effective disease management system, with patients struggling to adhere to treatment and follow-up care due to a lack of evidence-based guidelines; and (v) irregularities in treatment practices, including the overuse of NSAIDs and glucocorticoids and underutilization of methotrexate and advanced therapies.

According to Frost & Sullivan, the size of China's RA drug market increased from RMB14.2 billion in 2019 to RMB23.5 billion in 2024, with a CAGR of 10.6% from 2019 to 2024. It is estimated to grow to RMB51.8 billion in 2028 and reach RMB95.2 billion by 2032, with the CAGR of 21.8% from 2024 to 2028 and a CAGR of 16.4% from 2028 to 2032.

China Rheumatoid Arthritis Drug Market, 2019-2032E

Period	CAGR		
	Biologics	Small Molecules	Total
2019-2024	51.4%	7.1%	10.6%
2024-2028E	53.7%	10.0%	21.8%
2028E-2032E	26.5%	5.3%	16.4%

Billion RMB



Source: Frost & Sullivan Analysis

As of the latest practicable date, 15 targeted drugs for RA treatment have been approved in China, comprising seven small-molecule drug and eight biologics. Additionally, there are over 70 targeted drug candidates for RA treatment currently under development in China, with 5 in Phase III, 18 in Phase II.

Competitive Landscape of Innovative Drugs for RA Treatment in China

Marketed Drugs for Rheumatoid Arthritis Treatment in China

Brand Name	INN	Company	Target	Modality	NMPA First Approval Date	Medical Insurance	Route of Administration	Dosage	Price (RMB)	Annual Treatment Cost (RMB)
Remicade®	Infliximab	Janssen Biotech	TNF-α	Biologic	2006/5/3	B	Injection	100mg: 1vial	2,006.8	32,100
HUMIRA®	Adalimumab	AbbVie	TNF-α	Biologic	2010/2/26	B	Injection	40mg: 0.8ml	1,290	33,500
艾得辛®	Iguratimod	Simcere	TEC	Small Molecule	2011/8/15	B	Oral	25mg*14 tablets	179.97	9,500
Xeljanz®	Tofacitinib	Pfizer	JAK1, JAK2, JAK3	Small Molecule	2017/3/10	B	Oral	5mg*28 tablets	785.91	21,200
Enbrel®	Etanercept	Pfizer	TNF-α	Biologic	2010/2/26	B	Injection	25mg: 0.47ml	181.45	18,900
Simponi®	Golimumab	Janssen Biotech	TNF-α	Biologic	2017/12/28	B	Injection	50mg: 0.5ml: 1vial	4,900	58,800
OLUMIANT®	Baricitinib	Eli Lilly	JAK1, JAK2	Small Molecule	2019/6/24	B	Oral	2mg*28 tablets	1,064	14,900
Cimzia®	Certolizumab Pegol	UCB Pharma	TNF-α	Biologic	2019/7/12	–	Injection	200mg: 1ml: 1vial	1,720	51,600
Orencia®	Abatacept	Bristol Myers Squibb	CD80, CD86	Biologic	2020/1/13	–	Injection	125mg: 0.95ml: 1vial	1,580	82,200
Rinvoq®	Upadacitinib	AbbVie	JAK1	Small Molecule	2022/3/22	B	Oral	15mg (C17H19F3N6O) 30mg (C17H19F3N6O) 28 tablets	1,833.44	23,900
Actemra®	Tocilizumab	Roche	IL6R	Biologic	2013/3/26	B	Injection	80mg: 4ml: 1vial	830	75,500
泰爱®	Telitacicept	Remegen	APRIL, BAFF	Biologic	2024/7/16	B	Injection	80mg: 1vial	777.86	80,900
SMYRAF®	Peficitinib	Astellas Pharma	JAK3	Small Molecule	2024/7/30	–	Oral	/	/	/
艾速達®	Ivarmacitinib	Hengrui	JAK1	Small Molecule	2025/3/25	–	Oral	4mg*28 tablets	2,580	36,100
西樂葆®	Celecoxib	Pfizer	CA2, COX-2	Small Molecule	2025/6/24	B	Oral	200mg*6 capsules	27.54	1,679.94

Pipeline Drugs for Rheumatoid Arthritis Treatment in China

Drug Code	Company	Modality	Target	Highest Phase	First Posted Date	Route of Administration
WXFL10203614	Wuxi Fuxin Pharmaceutical	Small Molecule	JAK1	Phase III	2023/6/27	Oral
LNK01001	Lynk Pharmaceuticals	Small Molecule	JAK1	Phase III	2023/9/22	Oral
VDJ001	BeiJing VDJBio	Biologic	IL6R	Phase III	2024/12/17	Injection
TLL-018	Highlightll Pharma	Small Molecule	JAK1, TYK2	Phase III	2025/1/3	Oral
BI 1015550 (Nerandomilast)	Boehringer Ingelheim	Small Molecule	PDE4B	Phase III	2025/4/2	Oral
Hemay007	**Hemay**	**Small Molecule**	**TNF-α**	**Phase II**	**2020/11/11**	**Oral**
KL130008	Sichuan Kelun-Biotech Biopharmaceutical	Small Molecule	JAK1, JAK2	Phase II	2020/12/30	Oral
LW402	Longwood Biopharmaceuticals	Small Molecule	JAK1	Phase II	2022/11/18	Oral
MY004567	Shanghai Meiyue Biotech Development	Small Molecule	IRAK4	Phase II	2023/6/16	Oral
Firsekibart	Changchun GeneScience Pharmaceutical	Biologic	IL1B	Phase II	2023/6/19	Injection
SAR441566	Sanofi	Small Molecule	TNF-α	Phase II	2024/4/12	Oral
SAR441566 (Balinatunfib)	Sanofi	Small Molecule	TNFR1	Phase II	2024/4/12	Oral
Proximod	Institute of Materia Medica, CAMS & PUMC | Beijing Xiehe No. 2 Pharmaceutical Factory	Small Molecule	S1PR1	Phase II	2024/7/15	Oral
SCT650C	SinoCelltech Ltd.	Biologic	IL17	Phase II	2025/2/14	Injection
BGB-45035	BeiGene (Suzhou) Biotechnology	Small Molecule	IRAK4	Phase II	2025/7/30	Oral
FNS007	Hebei Phoenix	Small Molecule	HLA-DR	Phase II	2025/8/14	Injection
TollB-001	Toll Biotech Co.Ltd. (Beijing)	Small Molecule	TLR8	Phase II	2025/8/18	Oral
EVT 401	Zhejiang Jinhua Conba BioPharm	Small Molecule	P2RX7	Phase II	2025/10/10	Oral
SHR-3045	Hengrui	Biologic	–	Phase II	2025/11/13	Injection
AZD1163	AstraZeneca	Biologic	PADI2, PADI4	Phase II	2025/12/11	Injection
QLS12010	Qilu Pharmaceutical	Small Molecule	IRAK4	Phase II	2026/1/26	Oral
GenSci120	Changchun GeneScience Pharmaceutical	Biologic	PD-1	Phase II	2026/2/13	Injection
ARD-885	Kehui Zhiyao New Drug Research Center	Small Molecule	IRAK4, IRAK1	Phase II	2026/4/29	Oral

Note: As of June 2, 2026 Category B drugs in NRDL are those that can be selected for clinical treatment, have definite therapeutic effects, but are more expensive than Category A drugs. When insured persons use Category B drugs, they need to pay a certain proportion out-of-pocket.

Source: CDE, Frost & Sullivan Analysis

There are two main treatments for RA, the conventional synthetic disease-modifying antirheumatic drugs (DMARDs) and targeted drugs like TNF-α inhibitor mAbs and small-molecule drugs. Traditional synthetic DMARDs still play an important role in RA treatment. Biologics like TNF inhibitor drugs are recommended only after 2 or 3 traditional synthetic DMARDs do not work, and gradual reduction is recommended if the disease is well controlled. while conventional synthetic DMARDs are universally acknowledged as the first-line therapy for RA, DMARDs are less effective compared to biologics such as TNF-α inhibitor mAbs in relieving symptoms and preventing joint damage in patients with moderate/severe disease.

Growth Drivers and Future Trends of the RA Drug Market

The RA drug market's growth has primarily been driven by: (i) diagnostic and treatment gaps in China, including uneven medical resource distribution, delayed diagnosis, non-standardized treatment, and low remission rates, leading to high disability rates; (ii) unmet clinical needs, as many patients show inadequate responses or intolerance to standard treatments, while biologic DMARDs, though effective, require injections or infusions that hinder adherence; and (iii) limited access to rheumatology specialists, with a shortage of independent rheumatology departments in non-tertiary hospitals, causing delayed referrals and inadequate treatment for primary care patients.

Future trends of the RA drug market include: (i) the continuous expansion of biologics and small-molecule therapies; (ii) innovation in drug delivery and administration methods improving patient convenience and adherence; and (iii) the prioritization of combination therapies, integrating biologics with conventional DMARDs and small-molecule drugs to enhance treatment outcomes.

TNF-α Inhibitors

Tumor necrosis factor alpha (TNF-α) is a multifunctional cytokine that affects a wide range of cell types. It plays a key role in regulating inflammatory responses and is implicated in the pathogenesis of certain inflammatory and autoimmune diseases. TNF-α influences a range of physiological functions by activating signaling pathways through its receptors, TNFR1 and TNFR2. This activation can lead to inflammation, cell survival, immune responses, apoptosis, necroptosis, and inflammation.

TNF-α inhibitors are a class of drugs designed to block the interaction between TNF-α and its receptors, thus preventing the downstream signaling that leads to inflammation. These inhibitors can also induce apoptosis in TNF-α-producing cells by activating reverse signaling pathways, reducing the production and secretion of TNF-α.

Phosphodiesterase-4 (PDE4) Inhibitors

Phosphodiesterase-4 (PDE4) is an intracellular enzyme found in immune cells, epithelial cells, and brain cells, regulating inflammation and epithelial integrity. PDE4 has four subtypes (PDE4A – PDE4D) that specifically degrade cyclic adenosine monophosphate (cAMP) but not cyclic guanosine monophosphate (cGMP). Inhibiting PDE4 increases intracellular cAMP levels, activating PKA, cyclic nucleotide-gated ion channels, and exchange proteins directly activated by cAMP (Epac1/2). These pathways modulate the synthesis of pro-inflammatory and anti-inflammatory cytokines, T-cell activation, neutrophil degranulation, antigen presentation, and epithelial integrity through downstream signaling elements.

PDE4 inhibition has wide-ranging anti-inflammatory effects. PDE4 inhibition can suppress inflammatory responses from various immune cells, including macrophages, DCs, Th1, Th2, and Th17 cells, boost anti-inflammatory cytokine production, and alter B-cell function. Additionally, it enhances the barrier function of keratinocytes and epithelial cells by reducing inflammatory mediator production.

The key drivers of PDE4 inhibitors stem from their targeted mechanism and resultant clinical advantages. First, PDE4 inhibitors enhance treatment adherence: their small molecule nature permits both oral and topical administration, aligning with patient preference and convenience. Second, they provide broad, multi-symptom efficacy through systemic action. Moreover, they exhibit a manageable safety profile characterized by typically transient side effects. These attributes — dosing flexibility, comprehensive efficacy, and a favorable tolerability profile — collectively support sustained use in chronic inflammatory conditions.

As compared to other treatment options, biologics offer high specificity but require injections and are costly. Small molecules provide oral convenience and lower cost but require frequent intake. Small molecules have different targets. JAK inhibitors are potent but carry black-box warnings for safety risks. PDE4 inhibitors are safe, e.g., Mufemilast's Phase III used a placebo control, which found that Mufemilast can significantly improve psoriasis lesions, and most adverse events are mild. TYK2 inhibitors improve safety via selective pathway targeting.

Competitive Landscape of PDE4 Inhibitors in China

Marketed PDE4 Inhibitor in China

Brand Name	INN	Company	Target	Indication	NMPA First Approval Date	Medical Insurance[1]	Dosage	Price (RMB)
Staquis®	Crisaborole Ointment	Anacor Pharmaceuticals	PDE4	Atopic Dermatitis	2020/7/29	B	30g(2%)	158.8
Otezla®	Apremilast	Amgen	PDE4	Plaque Psoriasis	2021/8/12	B	30mg*60	942.0
–	**Hemay005**	**Hemay**	**PDE4**	**Plaque Psoriasis**	**2025/9/30**	**–**	**–**	**–**
JASCAYD®	Nerandomilast	Boehringer Ingelheim	PDE4B	Idiopathic Pulmonary Fibrosis	2025/10/21	**–**	–	–
				Pulmonary Fibrosis	2025/12/9	**–**	–	–

PDE4 Inhibitor Pipeline in China

Drug Code	Company	Target	Indication	Highest Phase	First Posted Date
RPL-554 (Ensifentrine)	Verona Pharma	PDE4, PDE3	COPD	NDA	2026/1/27
Nerandomilast	Boehringer Ingelheim	PDE4B	Interstitial lung disease	Phase III	2025/2/4
			Systemic sclerosis		2026/3/27
CHF6001 (Tanimilast)	Chiesi Farmaceutici SpA	PDE4	COPD	Phase III	2020/11/19
MM-36 (Difamilast)	Otsuka Pharmaceutical	PDE4	Atopic Dermatitis	Phase III	2022/12/14
TQC3721	Chiatai Tianqing	PDE4, PDE3	Moderate to Severe COPD	Phase III	2025/8/18
Hemay005	**Hemay**	**PDE4/PDE4B**	**Behcet Disease**	**Phase III**	**2023/9/18**
			Ulcerative Colitis	**Phase III**	**2026/5/11**
			Ankylosing Spondylitis	**Phase II**	**2022/6/7**
			Atopic Dermatitis	**Phase II**	**2022/10/25**
			COPD	**Phase II**	**2025/11/13**
HPP737	vTv Therapeutics	PDE4	Moderate to Severe Plaque Psoriasis	Phase III	2023/3/1
			Moderate to Severe COPD	Phase II	2020/4/24
			Mild-to-Moderate Atopic Dermatitis	Phase II	2021/03/16
HY-072808	Hefei medical and Pharmaceutical	PDE4	Atopic Dermatitis	Phase III	2023/12/15
Hemay808	**Hemay**	**IgE/PDE4**	**Atopic Dermatitis**	**Phase II**	**2020/3/13**
QY101	E-nitiate Biopharmaceuticals	PDE4	Plaque Psoriasis	Phase II	2023/3/9
RSS0393	Reistone Biopharma	PDE4	Plaque Psoriasis	Phase III	2026/4/21
			Atopic Dermatitis	Phase II	2025/9/3
HSK39004	Haisco Pharmaceutical Group	PDE4, PDE3	COPD	Phase III	2026/4/3
HRS-9821	Hengrui Medicine	PDE4, PDE3	COPD	Phase I	2022/11/15
SYH2059	Shanghai Yishi Pharmaceutical Technology Co., Ltd	PDE4B	Pulmonary fibrosis	Phase II	2026/5/13
			Interstitial Lung Disease	Phase I	2025/1/21
HSK44459	Haisco Pharmaceutical Group	PDE4B	Idiopathic Pulmonary Fibrosis	Phase III	2026/5/8
			Adult Behcet Disease	Phase II	2025/3/10
			Atopic Dermatitis	Phase II	2025/4/16
			COPD	Phase II	2025/6/12
			Psoriasis	Phase II	2025/9/1
			Interstitial Lung Disease	Phase I	2024/8/13
LEO32731 (Orismilast)	LEO Pharma	PDE4B; PDE4D	Plaque Psoriasis, Atopic Dermatitis	Phase I	2022/8/5
CPD704	Beijing Tide Pharmaceutical Co., Ltd.	PDE4	Radiation-induced Fibrosis	Phase I	2025/9/1
LS21031	Suzhou Lancome Jianzhi Pharmaceutical Technology Co., Ltd	PDE4	Depression	Phase I	2026/3/9
HW252001	Humanwell Healthcare	PDE4B	Idiopathic pulmonary fibrosis	Phase I	2026/3/20

Note: As of June 2, 2026 Category B drugs in NRDL are those that can be selected for clinical treatment, have definite therapeutic effects, but are more expensive than Category A drugs. When insured persons use Category B drugs, they need to pay a certain proportion out-of-pocket.

Source: CDE, Frost & Sullivan Analysis

ONCOLOGY DRUG MARKET

Incidence of Total Cancer Around the Globe and in China

According to Frost & Sullivan, the new cases of total cancer globally increased from 18.5 million in 2019 to 21.3 million in 2024, with a CAGR of 2.9% from 2019 to 2024. Due to increased awareness and improved diagnosis of cancer, the number of new cases is projected to increase to 23.4 million in 2028 and 25.5 million in 2032 with the CAGR of 2.3% from 2024 to 2028 and a CAGR of 2.2% from 2028 to 2032.

According to Frost & Sullivan, the new cases of total cancer in China are projected to grow from 4.5 million in 2019 to 5.0 million in 2024, with a CAGR of 2.2% from 2019 to 2024. The number of new cases is expected to increase further to 5.4 million in 2028 and 5.7 million in 2032 with the CAGR of 1.7% from 2024 to 2028 and a CAGR of 1.5% from 2028 to 2032.

Global Oncology Drug Market

According to Frost & Sullivan, the global oncology drug market grew from US$143.5 billion in 2019 to US$253.3 billion in 2024, with a CAGR of 12.0% from 2019 to 2024, and is projected to reach US$375.9 billion and US$548.2 billion in 2028 and 2032 respectively, with the CAGR of 10.4% from 2024 to 2028, and 9.9% from 2028 to 2032.

According to Frost & Sullivan, currently, the global oncology market is dominated by targeted therapy, which accounts for 61.5% of the total market share. Chemotherapy accounts for 11.6% of the total market share, while the remaining 27.0% corresponds to immuno-oncology therapy in 2024.

China's Oncology Drug Market

According to Frost & Sullivan, currently, China oncology market is dominated by chemotherapy drugs, which accounts for 46.5% of the total market share. Targeted drugs, including small-molecule targeted drugs and biologics, account for 42.2% of the total market share, while the remaining 11.3% corresponds to immuno-oncology therapy in 2024.

Growth Drivers and Future Trends of the Oncology Drug Market in China

China's oncology drug market's growth is primarily driven by: (i) an increasing number of cancer patients and longer survival times, with the patient population projected to reach 5.7 million by 2032 due to factors like an aging population, smoking, and unhealthy lifestyles; (ii) rising clinical needs, as global demand for cancer pharmaceuticals and therapies drives increased research and development funding for oncology drugs; (iii) favorable government policies, the Guidelines for Accelerating the Review of Marketing Authorization Applications for Innovative Drugs at the Drug Evaluation Center (Trial Version) which reduced approval time for clinical and marketing applications of drugs to address urgent clinical needs; and (iv) the expansion of the National Reimbursement Drug List (NRDL), which increasingly includes cancer drugs through price negotiations and dynamic adjustments, a practice expected to continue regularly in the future.

Future trends of China's oncology drug market include: (i) rapid growth driven by favorable government policies that reduce drug approval time and support research and development; and (ii) a shift towards targeted and therapies, such as antibody-drug conjugates (ADCs), which target specific cancer gene mutations to improve survival rates. These therapies can be combined with immunotherapy or radiotherapy to overcome drug resistance.

Breast Cancer (BC) Drug Market

Overview of BC and Related Treatments

BC is a malignant tumor that occurs in the epithelial tissue of the breast and is the most common malignant tumor among women, though it can occur rarely in men. BC is categorized into molecular subtypes: HER2+ (HR-), HER2+ (HR+), Triple Negative, Luminal A, and Luminal B, each with distinct immunohistochemical indicators such as HER-2, ER, PR, and Ki-67. Risk factors for BC include genetic predispositions like BRCA1 or BRCA2 mutations, hormonal exposure, oral contraceptive use, atypical hyperplasia, lobular carcinoma in situ, lifestyle factors, breast density, and a family history of breast cancer.

According to Frost & Sullivan, the global BC drug market is estimated to have increased from US$29.2 billion in 2019 to US$41.0 billion in 2024, with a CAGR of 7.0% from 2019 to 2024. The global BC drug market is projected to further increase to US$56.4 billion in 2028 and US$73.1 billion in 2032, with a CAGR of 8.3% from 2024 to 2028 and 6.7% from 2028 to 2032. The HER2 positive breast cancer drug market in China was RMB14.7 billion in 2024 and is forecasted to reach RMB20.8 billion in 2028 and RMB28.6 billion by 2032, which represents a CAGR of 9.1% from 2024 to 2028 and a CAGR of 8.3% from 2028 to 2032.

The incidence of BC in China increased from 330,300 cases in 2019 to 372,700 cases in 2024, with a CAGR of 2.4% from 2019 to 2024, and is projected to increase to 390,800 by 2028 and 402,400 by 2032 with a CAGR of 1.2% from 2024 to 2028 and 0.7% from 2028 to 2032. The incidence of HER2 positive breast cancer in China in 2024 was 94,700 cases and is projected to grow at a CAGR of 1.2% to reach 99,300 in 2028 and further increase to 102,200 in 2032, with a CAGR of 0.7% from 2028 to 2032.

In China, the treatment paradigm for both early-stage and overall BC is meticulously tailored to the molecular subtypes of the disease, encompassing personalized neoadjuvant and adjuvant therapies. For early-stage HER2-positive patients, the protocol recommends anti-HER2 targeted therapy combined with chemotherapy, which aims to enhance treatment efficacy while potentially reducing the risk of recurrence. For HER2-negative, ER/PR-positive patients, treatment options may include combination chemotherapy or endocrine therapy, depending on their responsiveness to neoadjuvant chemotherapy and hormonal dependency.

Triple negative patients, who lack expression of hormone receptors and HER2, are generally treated with aggressive combination chemotherapy regimens. Surgery and radiotherapy play pivotal roles in the management of early-stage BC, focusing on tumor removal and reducing the risk of metastasis. Adjuvant therapy is designed to eliminate any remaining cancer cells post-surgery, with the treatment strategy paralleling that of neoadjuvant therapy but adapted to the post-surgical context.

Competitive Landscape of EGFR/HER2 Targeted Drugs for Breast Cancer Treatment in China

Marketed EGFR/HER2 Targeted Small-molecule Drug for BC Treatment in China

Brand Name	INN	Company	Target	NMPA First Approval Date	Medical Insurance[1]	Dosage	Price (RMB)	2024 Annual Sale (M USD)
Tykerb®	Lapatinib	GSK	EGFR, HER2	2013/1/22	/	250mg*70	4,666.2	NA
艾瑞妮®	Pyrotinib	Hengrui medicine	EGFR, HER2	2018/8/12	B	80mg*14	914.34	NA
Nerlynx®	Neratinib	Puma Biotechnology	EGFR, HER2	2020/4/27	B	40mg*180	5,661.0	230.5

EGFR/HER2 Targeted Small-molecule Pipeline Drug for BC Treatment in China

Drug Code	Company	Target	Indication	Highest Phase	First Posted Date
Hemay 022	**Hemay**	**EGFR, HER2**	**Advanced ER+/HER2+ breast cancer**	**Phase III**	**2021/9/10**
QLNC 120 (Selatinib)	Qilu Pharmaceuticals	EGFR, HER2	HER-2 positive recurrent or metastatic breast cancer	Phase I/II	2017/1/4
ALS 1306 (Alitinib)	Shanghai Allist Pharmaceuticals	EGFR, HER2	HER-2 positive recurrent metastatic breast cancer	Phase I	2015/9/24

Note: As of June 2, 2026 Category B drugs in NRDL are those that can be selected for clinical treatment, have definite therapeutic effects, but are more expensive than Category A drugs. When insured persons use Category B drugs, they need to pay a certain proportion out-of-pocket.

Source: CDE, Frost & Sullivan Analysis

According to the 2024 CSCO guidelines, the first-line treatment for TNBC primarily recommends chemotherapy, with the option to combine it with biologics, specifically PD-1 inhibitors. Chemotherapy is the core method of current cancer treatment and is a systemic treatment method that is different from surgery and radiotherapy. Chemotherapy drugs use their own cytotoxicity to inhibit actively dividing tumor cells, thereby inhibiting tumor growth and killing some tumor cells. Regardless of the route of administration, chemotherapy drugs will spread to most organs and tissues throughout the body through blood circulation, inhibiting or killing tumor cells. In many localized cancers, chemotherapy before or after surgery and/or combined with radiotherapy can provide durable, long-term survival benefits for many patients. Besides, the intracellular (factors at the individual cell level) and cell extrinsic (factors within the tumor microenvironment) are drivers of chemotherapy sensitivity or resistance, and the immune system is a critical determinant of chemotherapy response.

According to current international guidelines and recent clinical evidence, HR+/HER2+ breast cancer represents a biologically complex subtype characterized by both hormone-receptor activation and HER2 pathway overexpression. First-line treatments typically rely on chemotherapy combined with anti-HER2 monoclonal antibodies, such as trastuzumab and pertuzumab. If tolerate, endocrine therapy combined with anti-HER2 therapy may also be considered. In second-line and later-line settings, HER2-targeted antibody -drug conjugates, tyrosine-kinase inhibitors, or endocrine-based regimens remain important therapeutic options.

EGFR/HER2-TKI

HER2 and EGFR play significant roles in mediating signal transduction, and their overexpression is closely associated with the occurrence and progression of tumors. However, the clinical efficacy of single-target inhibitors is significantly limited by the inevitable development of drug resistance. Mechanisms of resistance include amplification of HER2/HER3/c-Met and activation of receptor tyrosine kinase-related bypass pathways.

EGFR/HER2 dual-targeting inhibitors can overcome drug resistance associated with single-target inhibitors, suppressing tumor invasion and metastasis caused by resistance, and reducing the recurrence rate of tumors in patients. Due to the synergistic effects of EGFR/HER2 dual-target drugs, their toxicity is lower than that of combined therapies involving multiple single-target agents.

The growth of the EGFR/HER2 inhibitor market in China for breast cancer treatment is primarily driven by the approval and clinical success of targeted therapies. Currently, there are only three main drugs approved in China for this indication: trastuzumab, pertuzumab, and tucatinib. These drugs have shown clinical benefits, including improved progression-free survival and overall survival, leading to their increased adoption in clinical practice. Additionally, the development of new drugs like Hemay022, an irreversible dual EGFR/HER2 tyrosine kinase inhibitor, is showing promising results in early-phase clinical trials. This pipeline innovation further contributes to the market growth by offering new treatment options and expanding the therapeutic landscape for patients with HER2-positive breast cancer.

β-Gu

β-Glucuronidase (β-GU) is an acidic lysosomal enzyme that plays a crucial role in various metabolic processes in the human body. It is highly expressed in a wide range of malignant tumors, including but not limited to breast cancer, lung cancer, gastrointestinal cancers, and melanoma. The enzyme's activity is significantly enhanced in the acidic tumor microenvironment, making it an attractive target for developing selective anti-tumor drugs.

REPORT COMMISSIONED BY FROST AND SULLIVAN

In connection with the [**REDACTED**], we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the China's and global autoimmune disease and oncology drug markets. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the U.S. Services provided by Frost & Sullivan include market assessments, competitive benchmarking and strategic and market planning for a variety of industries. We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the China's and global autoimmune disease and oncology drug markets for potential [**REDACTED**]. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources. We have agreed to pay Frost & Sullivan a fee of RMB500,000 for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful [**REDACTED**] or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [**REDACTED**]. Our Directors confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan, which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

OVERVIEW OF LAWS AND REGULATIONS IN THE PRC

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the major PRC regulatory authorities and PRC laws and regulations that may have a significant impact on our business and operations.

REGULATORY AUTHORITIES

The operations of our Company in the PRC are mainly supervised and regulated by the following authorities, in addition to the authorities generally administering the companies in the PRC:

National Medical Products Administration and Center for Drug Evaluation

The National Medical Products Administration (國家藥品監督管理局) (the "**NMPA**"), (formerly the China Food and Drug Administration (國家食品藥品監督管理總局) (the "**CFDA**")), under and supervised by the State Administration for Market Regulation (國家市場監督管理總局) (the "**SAMR**"), is the primary regulatory agency in the PRC for the supervision and management of the pharmaceutical products and related businesses, and regulates almost all the key stages of the life-cycle of pharmaceutical products, including non-clinical research, clinical trial, marketing approval, production, circulation, etc.

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**"), which is a subsidiary under the NMPA, conducts the technical evaluation on each drug and biologic application to assess the safety and efficacy of each candidate.

National Health Commission

The National Health Commission (國家衛生健康委員會) (the "**NHC**") (formerly the National Health and Family Planning Commission (國家衛生和計劃生育委員會)) is primary national regulator for public health. It is primarily responsible for drafting national health policies, supervising and regulating public health, healthcare services, and health emergency systems, coordinating the reform of medical and health system, organizing the formulation of national drug policies and national essential medicine system, launching an early warning mechanism for the monitoring of the use and clinical comprehensive evaluation of medicine as well as the drug shortage, giving suggestions on the pricing policy of national essential medicine, and regulating the operation of medical institutions and practicing of medical personnel.

National Healthcare Security Administration

The National Healthcare Security Administration (國家醫療保障局) is directly under the State Council and responsible for the management of the healthcare security system. It is primarily responsible for drafting and implementing policies and standards on medical insurance, maternity insurance and medical assistance; supervising and administering the healthcare security funds; formulating a uniform medical insurance catalogue and payment standards on drugs, medical disposables and healthcare services; and formulating and supervising the implementation of the bidding and tendering policies for drugs and medical disposables.

PRC LAWS AND REGULATIONS

Laws and Regulations in Relation to New Drugs

Drug Registration Administration

Pursuant to the provisions of the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) promulgated by the SAMR on January 22, 2020 and taking effect from July 1, 2020, drug registration refers to activities that a drug registration applicant files an application and other supplementary applications for clinical drug trial, approval for drug marketing, and re-registration, among others, under the legal procedures and according to the relevant requirements, and that the medical products administrative department examines the safety, effectiveness, and quality controllability based on the laws and regulations, and the existing scientific cognitions, to decide whether to agree with the activities applied for. Prior to applying for registration of drug marketing, the applicant shall complete study work relating to pharmacy,

pharmacology and toxicology, clinical trial of drugs etc. Non-clinical safety evaluation and study for drugs shall be carried out by institutions with Certification of Good Laboratory Practice for Non-clinical Laboratory and comply with the Good Laboratory Practice for Non-clinical Laboratory. The clinical trial of a drug shall be subject to approval, among which the bio-equivalence trial shall be subject to record-filing; the clinical trial of a drug shall be carried out in the clinical trial institutions meeting the relevant provisions and comply with the Good Clinical Practice of Drug Trials.

A drug registration certificate shall be valid for five years. During the validity period, a holder of a drug registration certificate shall continue to ensure the safety, effectiveness and quality controllability of the marketed drug, and apply for re-registration of the drug six months prior to the expiry of the validity period.

Non-clinical Research

The institutions for non-clinical safety evaluation and study shall implement the Good Laboratory Practice for Non-Clinical Laboratory Studies (《藥物非臨床研究質量管理規範》) (the "**GLP**"), which was promulgated by the CFDA on July 27, 2017, and came into effect from September 1, 2017. GLP contains a set of rules and criteria for the quality system concerned with the organizational process and conditions under which non-clinical laboratory studies are planned, performed, monitored, recorded, achieved and reported. Other pre-clinical related research activities for the purpose of drug registration shall be carried out with reference to the GLP. The Measures for Administration of Certification of the Good Laboratory Practice for Nonclinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》), which was promulgated by the NMPA on January 19, 2023 and came into effect from July 1, 2023, sets out the requirements for organizations to apply for GLP certification to conduct non-clinical drug studies.

Animal Testing

The State Science and Technology Commission, now known as the Ministry of Science and Technology of the PRC (the "**MOST**"), promulgated the Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》) on November 14, 1988, which were most recently amended by the State Council with effect from March 1, 2017. On December 11, 1997, the State Science and Technology Commission and the State Bureau of Quality and Technical Supervision (now abolished) jointly promulgated the Administrative Measures on Good Practice of Experimental Animals (《實驗動物質量管理辦法》), which became effective on the same day. On December 5, 2001, the MOST and other regulatory authorities promulgated the Administrative Measures on the Certificate for Experimental Animals (Trial) (《實驗動物許可證管理辦法(試行)》), which became effective from January 1, 2002. All of these laws and regulations require a Certificate for Use of Laboratory Animals for performing animal experimentation.

Application for clinical trial

Clinical trials should be conducted when applying for registration of a new drug. After completing the pre-clinical studies, the applicant must obtain approval for clinical trials of drugs from the NMPA before the conduction of new clinical drug trials. According to the Decision on Adjusting the Approval Procedures of the Administrative Approval Items for Certain Drugs (《關於調整部分藥品行政審批事項審批程序的決定》) promulgated by the CFDA on March 17, 2017 and taking effect from May 1, 2017, the decision on the approval of clinical trials of drugs enacted by the CFDA can be made by the CDE in the name of CFDA from May 1, 2017.

Drug Clinical Trial Registration

Pursuant to the Measures for the Administration of Drug Registration, upon obtaining the clinical trial approval and before commencing a clinical trial, the sponsor shall register the scheme of the clinical trial and other information on the Drug Clinical Trial Registration and Information Platform for clinical trials of drugs. During the clinical trial of drugs, the sponsor shall update registration information continuously, and register information on the outcome of the clinical trial of drugs upon completion of the clinical trial of drugs. The registration information shall be published on the platform and the sponsor shall be responsible for the veracity of such information. More details are provided in the Announcement on Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》) released by the CFDA on September 6, 2013 and came into effect on the same day.

Phases of Clinical Trials

According to the Measures for the Administration of Drug Registration, a clinical trial consists of Phases I, II, III, IV and bio-equivalence trial. Pursuant to the characteristics of a drug and the research purpose, the research contents shall include clinical pharmacological research, exploratory clinical trial, confirmatory clinical trial and post-marketing research.

According to the Administrative Regulations for Drug Clinical Trial Institutions (《藥物臨床試驗機構管理規定》) promulgated by the NMPA and NHC on November 29, 2019 and taking effect from December 1, 2019, if engaging in drug development activities and conducting clinical trials of drugs, including bio-equivalence trials conducted after filing, approved by the NMPA within the territory PRC, they shall be conducted in the Drug Clinical Trial Institutions. Drug clinical trial institutions shall be subject to filing administration.

Pursuant to the Measures for the Administration of Drug Registration, a clinical drug trial to be carried out shall be examined and approved by the ethics committee and comply with the relevant requirements of the GCP. The sponsor shall submit safety update reports on the CDE website regularly during the research and development period. The sponsor shall promptly report to the CDE regarding suspicious and unexpected serious adverse reaction and other potential serious safety risks arising in the course of the clinical trial. Based on the severity of the safety risks, the sponsor may be required to adopt measures to strengthen risk control, and may be required to suspend or terminate the clinical trial of drugs where necessary.

According to the Announcement of the NMPA on Adjusting the Review and Approval Procedures for Drug Clinical Trials (《國家藥品監督管理局關於調整藥物臨床試驗審評審批程序的公告》), which was promulgated by the NMPA on July 24, 2018 and came into effect on the same day, if a new drug clinical trial has been approved to be carried out, after the completion of Phase I and Phase II clinical trials and before the implementation of Phase III clinical trials, the applicant shall submit an application for a communication meeting to the CDE to discuss with the CDE on key technical issues including the design of the Phase III clinical trials.

According to Article 27 of the Measures for the Administration of Drug Registration, where a drug that has been approved for clinical trials intends to add new indications (or functions and indications) or to be used in combination with other drugs, the applicant shall submit a new drug clinical trial application, which may only be conducted after approval.

Pursuant to the Announcement of the National Medical Products Administration on Adjusting the Review and Approval Procedures for Drug Clinical Trials (Announcement No. 50 of 2018), applicants should submit an application for communication and meeting with the Center for Drug Evaluation (CDE) before submitting the first clinical trial application for a new drug. During an ongoing approved clinical trial, if an application is made to add a new indication, the applicant may either submit a new clinical trial application directly, or first submit a communication application in accordance with this procedure before making a decision. When submitting a new clinical trial application, materials that are duplicative of those in the first application may be exempted from submission, but the reference numbers of the relevant materials in the first application should be listed in the application materials.

Gathering, Collection, Approval or Filing relating to Chinese Human Genetic Resources

According to the Administrative Regulations on Human Genetic Resources (《人類遺傳資源管理條例》) promulgated by the State Council on May 28, 2019, last amended on March 10, 2024, and taking effect from May 1, 2024, human genetic resource includes human genetic resource materials and human genetic resource information. Human genetic resource materials refer to organs, tissues, cells and other genetic materials containing human genome, genes and other genetic materials. Human genetic resource information refers to information, such as data, generated by human genetic resources materials. The Administrative Regulations on Human Genetic Resources clarify that, in order to obtain marketing authorization for relevant drugs in China, no approval is required in international clinical trial cooperation using China's human genetic resources at clinical institutions without export of human genetic resource materials. However, the type, quantity and usage of the human genetic resource to be used shall be filed with the administrative department

of health under the State Council before clinical trials. Foreign organizations, individuals and institutions established or actually controlled by foreign organizations and individuals are not allowed to collect or preserve human genetic resources in China or provide human genetic resources abroad.

Detailed Rules for the Implementation of the Regulation on the Administration of Human Genetic Resources (《人類遺傳資源管理條例實施細則》), which was promulgated by the MOST on May 26, 2023 and took effect from July 1, 2023, further clarifies the requirements for administrative licensing, record-keeping, and security review in relation to the collection, conservation, utilization, and external provision of Chinese human genetic resources, as well as detailing matters relating to the supervisory review and administrative penalties.

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

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

According to the Opinion on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) promulgated and implemented by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council on October 8, 2017, clinical trial data obtained in international multi-center that meets the requirements for registration of drugs and medical devices in China can be used to apply for registration in China.

According to the Technical Guiding Principles for the Acceptance of Overseas Clinical Trial Data of Drugs (《接受藥品境外臨床試驗數據的技術指導原則》) promulgated and implemented by the NMPA on July 6, 2018, the basic principles for accepting overseas clinical trial data include: (1) applicants shall ensure the authenticity, integrity, accuracy and trace-ability of overseas clinical trial data; (2) the process of generating overseas clinical trial data shall comply with the relevant requirements of the ICH-GCP; (3) applicants shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system with the requirements, and the accuracy and integrity of statistical analysis of data; and (4) to ensure that the clinical trial design and statistical analysis of the data are scientific and reasonable, for the drugs with simultaneous R&D at home and abroad and forthcoming clinical trials in China, the applicants may, prior to implementing registrational clinical trials, contact the CDE to ensure the compliance of registrational clinical trial's design with the essential technical requirements for drug registration in China.

New Drug Application, Registration and Marketing Authorization

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

the application regarding the safety, effectiveness and quality control of the drug. Where the application is cleared by the comprehensive review, the drug shall be approved for marketing and a drug registration certificate shall be issued.

Accelerated Approval for Clinical Trial and Registration

The Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (《關於改革藥品醫療器械審評審批制度的意見》) promulgated by the State Council on August 9, 2015 and became effective from the same date established a framework for reforming the evaluation and approval system for drugs and medical devices, and indicated enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for drugs.

According to the Announcement of Several Policies on the Evaluation and Examination for Drug Registration (《關於藥品註冊審評審批若干政策的公告》) promulgated and implemented by the CFDA on November 11, 2015, the IND of new drugs are subject to one-off umbrella approval instead of declaration, evaluation and approval by stages.

The CFDA promulgated and implemented the Opinions on Implementing Priority Review and Approval to Encourage Drug Innovation (《關於鼓勵藥品創新實行優先審評審批的意見》) on December 21, 2017, which further clarifies that a fast track clinical trial approval or drug marketing registration pathway will be available to drugs. The Opinions on Implementing Priority Review and Approval to Encourage Drug Innovation was replaced by the Announcement of NMPA on Promulgating Three Documents including the Working Procedures for Evaluation of Breakthrough Therapy Designation Drugs (For Trial Implementation) (《國家藥監局關於發佈<突破性治療藥物審評工作程序(試行)>等三個文件的公告》), which was promulgated and implemented on July 7, 2020, refines the requirements and scope of the fast track.

According to the Announcement on Matters Concerning the Optimization of Drug Registration Review and Approval (《關於優化藥品註冊審評審批有關事宜的公告》) jointly promulgated and implemented by the NMPA and the NHC on May 17, 2018, the CDE will prioritize the allocation of resources for review, inspection, examination and approval of registration applications that have been included in the scope of fast track clinical trial approval.

To further implement the reform of the evaluation and approval systems, on September 12, 2025, the NMPA issued the Notice Concerning Issues Related to Optimizing the Evaluation and Approval for Clinical Trials of Innovative Drugs (《關於優化創新藥臨床試驗審評審批有關事項的公告》), which took effective on the same day. Building upon prior pilot experience, this notice promotes and implements nationwide measures to optimize the evaluation and approval process for clinical trials of innovative drugs.

Laws and Regulations on the manufacture and distribution of pharmaceutical products

Drug Manufacturing

The Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》) (the "**GMP**") promulgated by the Ministry of Health of the PRC on December 28, 1992, last amended on January 17, 2011 and taking effect on March 1, 2011, provides guidance for the quality management, organization and staffing, production premises and facilities, equipment, materials 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.

Pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) and the Implementing Regulations, a drug manufacturer must obtain a Drug Manufacturing Certificate (藥品生產許可證) from the drug regulatory authority at provincial, autonomous regional or municipal level before it may start manufacturing drugs in the PRC. The Drug Manufacturing Certificate shall indicate the validity period and the scope of production. Each Drug Manufacturing Certificate is valid for a period of five years and the manufacturer is required to apply for renewal of the permit within six months prior to its expiration date.

Prior to December 1, 2019, a drug manufacturer shall apply for GMP certification to the drug supervision and administration department and obtain the GMP certificate in accordance with the relevant provisions. 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 and implemented by the NMPA on November 29, 2019, the GMP and Good Supply Practice (GSP) certifications have been canceled from December 1, 2019, applications for GMP and GSP certifications are no longer accepted, and GMP and GSP certificates are no longer issued. However, according to the Drug Administration Law, a manufacturer shall comply with the GMP and establish a sound GMP management system, to ensure that the entire process of drug manufacturing maintains to meet the statutory requirements.

On May 24, 2021, the NMPA promulgated the Administrative Measures for Drug Inspection (For Trial Implementation) (《藥品檢查管理辦法(試行)》) which was amended on July 19, 2023, and the Administrative Measures for the Certification of Good Manufacturing Practice for Drugs (《藥品生產質量管理規範認證管理辦法》) was repealed concurrently. The Administrative Measures for Drug Inspection (For Trial Implementation) provides that if a drug manufacturer applies for a drug manufacturing license for the first time, onsite inspections to be conducted in accordance with the GMP requirements is required, while for a drug manufacturer applying for the reissue of a drug manufacturing license, the review will be conducted based on the risk management principles, taking into account certain factors, including the drug manufacturer's compliance with the laws and regulations of drug administration, the drug manufacturer's operation of the GMP system and quality management system, and inspections on the drug manufacturer's conformity to the GMP requirements may be conducted where necessary.

Contract Manufacturing of Drug

The Drug Administration Law specifies that a holder of drug sales approval may produce drugs by itself or may entrust other drug manufacturers. A holder of drug sales approval that intends to manufacture drugs on its own shall obtain a drug manufacturing permit, or if the holder intends to entrust a third-party to manufacture, it shall entrust a qualified drug manufacturer.

According to the Provisions on the Supervision and Administration of Commissioned Production of Drugs (《藥品委託生產監督管理規定》) promulgated by the CFDA on August 14, 2014 and became effective from October 1, 2014, a drug manufacturer may commission its drugs to other domestic drug manufacturers to produce the drugs only when the production conditions are temporarily unavailable as a result of technical upgrading or the temporary inadequate capacity cannot guarantee the market supply. Such commissioning production arrangement shall be approved by the food and drug regulatory authority of the province, autonomous region or municipality.

Laws and Regulations on Company Establishment and Foreign Investment

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "**Company Law**"), which was promulgated by the National People's Congress (全國人民代表大會常務委員會) (the "**SCNPC**") on December 29, 1993 and further amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, respectively. The PRC Company Law also applies to foreign-invested joint stock limited companies.

Investment activities in the PRC by foreign investors are governed by the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List**"), which was promulgated by the Ministry of Commerce of the PRC (the "**MOFCOM**") and the National Development and Reform Commission (the "**NDRC**") on September 6, 2024 and came into effect on November 1, 2024, and the Catalogue of Industries for Encouraging Foreign Investment (2025 version) (《鼓勵外商投資產業目錄(2025年版)》) (the "**Encouraged Catalogue**"), which was promulgated by the MOFCOM and the NDRC on December 15, 2025 and came into effect on February 1, 2026. The Provisions on Guiding Foreign Investment Direction divides foreign investment projects into four categories, namely "encouraged", "permitted", "restricted" and "prohibited" categories. The Encouraged Catalogue lists the foreign investment projects of the encouraged category, while the Negative List set out the foreign investment projects of the restricted and prohibited categories, and foreign investment projects which fall outside the

encouraged, restricted and prohibited categories belong to the permitted category. The Negative List sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and corporate governance, for the access of foreign investments, and the industries that are prohibited from receiving foreign investment. The Negative List covers 11 industries, and any field not falling under the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") was promulgated by the National People's Congress of the PRC (the "**NPC**") on March 15, 2019 and came into effect on January 1, 2020. The investment activities of foreign natural persons, enterprises or other organizations (collectively, the "**Foreign Investors**") directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law.

While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of the MOFCOM. The foreign investment information reporting is subject to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) jointly promulgated by the MOFCOM and the SAMR on December 30, 2019, which came into effect on January 1, 2020. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities in accordance with the Measures on Reporting of Foreign Investment Information.

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

Laws and Regulations on Self-Owned Real Properties

According to the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which was promulgated by the NPC on May 28, 2020 and became effective from January 1, 2021, the creation, alteration, alienation, or extinguishment of the property right of a real property shall become effective upon registration in accordance with law. The certificate of ownership of real property shall be an evidence of the right holder's entitlement in the real property.

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

Laws and Regulations on Lease of Real Property

On December 1, 2010, the Ministry of Housing and Urban-Rural Development of the PRC (the "**MOHURD**") promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, a commodity housing lease contract should be registered with the competent municipal or county level housing and construction authority within 30 days after the execution of the lease contract. Those who fail to comply with the aforementioned filing regulations may be ordered by the competent authority to correct within a time limit. If the entity does not correct within the specified period, it may be subject to a fine ranging from RMB1,000 to RMB10,000.

Regulations on Construction

Laws and Regulations on Enterprise Investment Projects

According to Regulations on the Administration of Approval and Record-Filing of Enterprise Investment Projects (《企業投資項目核准和備案管理條例》) which was promulgated by the State Council on November 30, 2016 and became effective from February 1, 2017, pre-approval is required for projects that have national security concern or relate to major productivity distribution, strategic resource development and major public interests, and projects other than the aforesaid ones are subject to administration by way of filing. The Notice of the State Council on Issuing the Catalogue of Investment Projects Approved by the Government (2016 Version) (《國務院關於發佈政府核准的投資項目目錄(2016年本)的通知》) issued by the State Council and taking effect from December 12, 2016 sets out projects required for pre-approval.

Construction Permit

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

Acceptance on Completion of Construction

According to the Administrative Measures for the Administration of Completion Acceptance and Filing of Housing Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the MOHURD and taking effect from October 19, 2009, any entity in China that carries out construction works to build, expand or re-build real properties or municipal infrastructure projects shall, within 15 days after the acceptance and of the relevant construction work, make a record-filing with the competent construction administration authority.

Laws and Regulations on Environmental Protection, Health and Safety

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and became effective from January 1, 2015, all enterprises and institutions which discharge pollutants shall adopt measures to prevent and control pollution and damage to the environment from waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, ray radiation and electromagnetic radiation generated in the course of production, construction or other activities. The relevant authorities are authorized to impose various types of penalties on the persons or entities in violation of the environmental regulations, including fines, restriction or suspension of operation, shut-down, detention of office-in-charge, etc.

Environmental Impact Assessment

According to the Environmental Protection Law, the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on October 28, 2002 and last amended with effect from December 29, 2018, the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》), promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and came into effect from October 1, 2017, and other relevant environmental laws and regulations, enterprises which plan to construct projects shall provide the environmental assessment reports, assessment form, or registration form on the environmental impact of such projects with relevant environmental protection administrative authority for approval or filing. Enterprises shall, after the completion of the construction project for which the environmental assessment reports, assessment form is prepared, according to standards and procedures prescribed by the environmental protection administrative department of the State Council, conduct acceptance check of the constructed supporting environmental protection facilities and prepare the acceptance check report.

Completion and Acceptance

According to the Administrative Regulations on the Environmental Protection of Construction Projects, for construction projects that involve the preparation of an environmental impact statement or report form, the construction unit shall, after completion, conduct an acceptance inspection of the supporting environmental protection facilities in accordance with the standards and procedures stipulated by the State Council's environmental protection administrative department, and prepare an acceptance report.

Pollutant Discharge

According to the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated by the Ministry of Ecology and Environment of the PRC (the "**MEE**") on April 1, 2024 and effective on July 1, 2024, enterprises, institutions and other producers and operators subject to the management of discharge permits shall apply for discharge permits and discharge pollutants in accordance with the requirements of the discharge permits; those who have not obtained discharge permits shall not discharge pollutants.

Production Safety

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

Prevention and Control of Occupational Diseases

According to the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), which was promulgated by the SCNPC on October 27, 2001 and last amended with effect from December 29, 2018, the Measures for the Supervision and Administration of "Three Simultaneities" of Facilities for the Prevention and Control of Occupational Diseases of Construction Projects (《建設項目職業病防護設施"三同時"監督管理辦法》), which was promulgated by the State Administration of Work Safety (now abolished) on March 9, 2017 and became effective on May 1, 2017, and the Measures for the Declaration of Projects with Occupational Hazards (《職業病危害項目申報辦法》), which was promulgated by the State Administration of Work Safety (now abolished) on April 27, 2012 and became effective on June 1, 2012, the facilities for the prevention and control of occupational diseases of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project. In addition, employers shall take required administrative measures to prevent and control occupational diseases in work.

Laws and Regulations on Explosive-Prone Chemicals

Precursor Chemicals

According to the Regulation on the Administration of Precursor Chemicals (《易製毒化學品管理條例》), which was promulgated by the State Council on August 26, 2005, effective on November 1, 2005, and revised on July 29, 2014, February 6, 2016 and September 18, 2018, the State regulates the production, operation, purchase, transportation, import and export of precursor chemicals. Units that purchase Category II and Category III precursor chemicals shall report the types and quantities of required precursor chemicals to the public security organs of the local people's governments at the county level for filing before purchasing.

Explosive Precursors

According to the Measures for the Public Security Management of Explosives Precursors (《易製爆危險化學品治安管理辦法》) issued by the Ministry of Public Security on July 6, 2019 and effective on August 10, 2019, enterprises which have obtained permits for safe production of hazardous chemicals, permits for the safe use of hazardous chemicals and permits for business operation of hazardous chemicals in accordance with the law shall purchase explosive precursor hazardous chemicals with the corresponding licenses. Other entities that purchase explosive precursors shall submit the following materials to the selling unit: (I) photocopies of legal certificates of the entity such as business license (《營業執照》), and legal person certificate for a public institution (《事業單位法人證書》), as well as a photocopy of the identity certificate of the responsible person; and (II) instructions on how to legally use explosives precursors, including such contents as specific usage, types, and quantity of explosives precursors. A buyer of explosives precursors shall, within five days after purchasing, shall report the information about the types, quantity and flowing direction of explosives precursors purchased to the local county-level public security organ for filing.

Laws and Regulations on Employment and Social Insurance

Employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**") and its implementation, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

Social Insurance

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the "**Social Insurance Law**") issued by the SCNPC on October 28, 2010 and latest amended with effect from December 29, 2018, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. 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. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行 條例》) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees.

On July 31, 2025, the Supreme People's Court promulgated the Supreme People's Court's Interpretation (II) on Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which took effect on September 1, 2025. Article 19(1) thereof stipulates that if an employer and an employee agree or the employee undertakes to the employer that there is no need to pay social insurance contributions, the people's court shall determine that such agreement or undertaking is invalid. Furthermore, where an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Article 38(3) of the Labor Contract Law, the people's court shall support such claims in accordance with the law.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, amended with effect on March 24, 2002 and March 24, 2019 respectively, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied.

Laws and Regulations on Intellectual Properties

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 and latest amended on October 17, 2020 and effective as from June 1, 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) which was promulgated by the State Council on June 15, 2001 and latest amended on December 11, 2023 and effective as from January 20, 2024, there are three types of patent in the PRC: invention patent, utility model patent and design patent. The current protection period is 20 years for invention patent, 10 years for utility model patent and 15 years for design patent, commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior authorization of the patentee shall pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law.

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 respectively and effective as from November 1, 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. A trademark registrant intending to continue to use the registered trademark upon expiry of the period of validity shall undergo the renewal formalities within 12 months before expiry according to the relevant provisions.

Copyright

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

Domain names

Domain names are protected under the Administrative Measures for the Internet Domain Names of China (《中國互聯網絡域名管理辦法》) promulgated by the Ministry of Information Industry of the PRC (has been integrated into the Ministry of Industry and Information Technology of the PRC (the "**MIIT**")) on November 5, 2004. This regulation was replaced by the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was issued by the MIIT on August 24, 2017 and effective as of November 1, 2017. The MIIT is the main regulatory body responsible for the administration of the PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations. The domain name services follow a "apply first, register first" principle.

Trade Secrets

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), which was promulgated by the SCNPC on September 2, 1993 and latest amended on June 27, 2025, as well as taking effect and being implemented on October 15, 2025, a business shall not commit the following acts of infringing upon trade secrets: (i) acquiring a trade secret from the right holder by theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means, (ii) disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the preceding subparagraph, (iii) disclosing, using, or allowing another person to use a trade secret in its possession, in violation of its confidentiality obligation or the requirements of the right holder for keeping the trade secret confidential, (iv) abetting a person, or tempting, or aiding a person into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation or the requirements of the right holder for keeping the trade secret confidential. An illegal act as set forth in the preceding sentences committed by a natural person, legal person or non-legal persons shall be treated as infringement of the trade secret.

Laws and Regulations Related to Tax

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC promulgated by the NPC on March 16, 2007 and last amended and effective from December 29, 2018 by the SCNPC and its implementation rules, the Enterprise Income Tax Law of the PRC generally imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises. The Enterprise Income Tax Law of the PRC and its implementation rules permit the enterprises qualified as "High and New Technologies Enterprises" to enjoy a reduced 15% enterprise income tax rate.

Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council, which came into effect on January 1, 1994, and was amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance of the PRC (the "**MOF**"), which came into effect on December 25, 1993 and was amended in December 15, 2008 and October 28, 2011, unless otherwise specified, taxpayers that sell goods, labor services, or tangible personal property leasing services or import goods in China shall pay VAT at a tax rate of 17%; the sales of transportation, postal services, basic telecommunications, construction, and real property leasing services, the sales of real property, and the transfer of land use rights shall be subject to VAT at a tax rate of 11%; the sales of services and intangible assets shall be subject to VAT at a tax rate of 6% unless otherwise provided.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) issued on April 4, 2018 and became effective from May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening the Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》) issued by the MOF and other relevant authorities on March 20, 2019, and became effective from April 1, 2019, the previous applicable VAT rate of 16% and 10% will be adjusted to 13% and 9% respectively for VAT general taxpayers' taxable sales activities or imported goods.

On December 25, 2024, the SCNPC promulgated the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), which came into effect on January 1, 2026. According to the Value-added Tax Law of the PRC, the VAT rate for general VAT taxpayers engaging in sale of goods, services, lease of tangible and movable goods or importation of goods was adjusted to 13%, the VAT rate for general VAT taxpayers engaging in, among others, the sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, and the transfer of land use rights was adjusted to 9%. From the effective date of the Value-added Tax Law of the PRC, the Provisional Regulations on Value-added Tax of the PRC was repealed.

Laws and Regulations on Foreign Exchange and Dividend Distribution

Foreign Exchange Control

The PRC Regulations for the Foreign Exchange Administration (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, established the regulatory framework of the administration on foreign currency exchange in China. Under the PRC Regulations for the Foreign Exchange Administration, payments of current account items, such as trade, services, benefits or current transfer-related transactions in foreign currencies, in foreign currency may be proceeded without prior approval from the SAFE as long as certain procedural requirements are complied with. By contrast, approval from, or registration with, appropriate administrative authorities is required where RMB is to be converted into foreign currency and remitted out of China for items under the capital account such as repayment of foreign currency denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans extended by an offshore entity to an entity in China.

According to the Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) and its appendix promulgated in November 2012 and amended in May 2015, October 2018 and December 2019 by the SAFE, the foreign exchange procedures are further simplified: (1) the opening of and payment into foreign exchange accounts under direct investment are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-invested enterprises need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment is no longer subject to approval by SAFE; and (6) the administration over the settlement of foreign exchange capital of foreign-invested enterprises is improved. Later, the SAFE issued the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015 which became effective in June 2015 and was further amended in December 2019, prescribes that the banks instead of the SAFE can directly handle foreign exchange registrations under foreign direct investment and outbound investment while the SAFE and its branches indirectly supervise the foreign exchange registration under foreign direct investment through the bank. On April 3, 2024, the SAFE promulgated the Guidelines on Foreign Exchange Operations for Capital Projects (2024 Edition) (《資本項目外匯業務指引(2024年版)》), which became effective on May 6, 2024, to provide guidelines on foreign exchange operations for capital projects.

According to the Notice on the Reform of the Management Method for 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》) issued by the SAFE on March 30, 2015, amended with effect on December 30, 2019 and March 23, 2023 respectively, and the Notice on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE on June 9, 2016 and amended with effect on December 4, 2023, discretionary settlement of foreign exchange receipts under capital accounts means that domestic institutions may settle their foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as explicitly prescribed in the relevant policies with banks according to their actual operation needs. Domestic institutions may, at their discretion, settle up to 100% of all foreign exchange receipts under capital accounts for the time being, and the SAFE may adjust the aforesaid proportion in due time according to the situation of international balance of payments. The Notice of the State Administration of Foreign Exchange on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《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》) promulgated and implemented by the SAFE on December 4, 2023 further facilitates the payment and use of funds raised by foreign investment enterprises through overseas listing. The asset realization account under the capital account shall be adjusted to the settlement account under the capital account. The foreign exchange funds raised by a domestic enterprise in overseas listing may be directly remitted to the settlement account under the capital account. The funds in the settlement account under the capital account may be settled and used on its own.

According to the Notice on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE in April 2020, eligible enterprises are allowed to make domestic payments by using

their funds received by way of capital contribution, foreign debts and overseas listing, with no need to provide the evidentiary materials concerning authenticity of such payment to banks in advance, provided that their capital use shall be authentic and compliant, and conform with the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct ex post spot check and the local branches of the SAFE shall strengthen monitoring analysis and interim and ex post regulation in accordance with the relevant requirements.

Dividends Distribution

The principal regulations governing distribution of dividends of foreign-invested enterprises include the PRC Company Law. Under these regulations, joint stock limited companies (including foreign-invested enterprises) in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, companies are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises.

The SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Administration Reform (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements for any remittance of profits of more than (not excluding) USD50,000; and (2) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration and outward remittance procedures in connection with an outbound investment.

Laws and Regulations on Overseas Listing

CSRC Filing Requirements for Overseas Offering and Listing

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the supporting guidelines (together, the "**Trial Filing Measures**"), which came into effect on March 31, 2023. If a domestic company seeks for overseas securities issuance and listing, the issuer shall file with the CSRC in accordance with the Trial Filing Measures.

According to the Trial Filing Measures, the issuer shall submit the required filing documents to the CSRC within three working days after the overseas listing application is submitted to the relevant overseas regulator or listing venue. Once the filing documents are complete and in compliance with the stipulated requirements, the CSRC will, within 20 working days, conclude the review procedure and publish the filing results on the CSRC website. To the extent the filing documents are incomplete or do not conform to stipulated requirements, the CSRC will, within five working days upon receipt of filing documents, request supplementation and amendment to the filing. Then the issuer has 30 working days to prepare any requested supplemented/amended filing. In addition, following the listing in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of the following events involving the issuer: (1) change of control; (2) investigations or sanctions imposed by overseas regulators; (3) change of listing status or transfer of listing market; and (4) voluntary or involuntary delisting.

The Trial Filing Measures also stipulates that following cases may be rejected by the CSRC: (1) offerings and listings are explicitly prohibited by laws and regulations; (2) offerings and listings may endanger national security as reviewed and determined by competent authorities under the PRC State Council in accordance with law; (3) domestic companies of the listing applicant or its controlling shareholder or actual controlling person are involved in criminal offenses in the last three years, such as corruption, bribery, embezzlement, misappropriation of property, or undermining the order of the socialist market economy; (4) domestic companies of the listing applicant is under investigations for suspicion of criminal offenses or is involved in major violations of laws and regulations and no conclusion of the investigation has yet been made; or (5) there are material ownership disputes over equity interests held by controlling shareholders or by shareholders who are controlled by the controlling shareholder or actual controlling person.

CSRC Requirements for Full Circulation

On November 14, 2019, the CSRC issued 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》) (the "**Guidelines for the Full Circulation**"), which was partly revised on August 10, 2023 according to the Decision on Revising and Abolishing Part of Securities and Futures Policy Documents by CSRC (《中國證券監督管理委員會關於修改、廢止部分證券期貨制度文件的決定》).

According to the Guidelines for the Full Circulation, 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. To apply for full circulation, an H-share listed company shall file the application with the CSRC according to the administrative filing procedures necessary for the Overseas Listing Trial Measures. After the filing with the CSRC for full circulation has been completed, the H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with CSDCC of the shares related to the application has been completed.

On September 20, 2024, China Securities Depository and Clearing (Hong Kong) Limited also promulgated the revised Guide of China Securities Depository and Clearing (Hong Kong) Limited to the Program for Full Circulation of H-shares (《中國證券登記結算(香港)有限公司H股"全流通"業務指南》), which came into effect on September 23, to specify the relevant escrow, custody, agent service, arrangement for settlement and delivery, risk management measures and other relevant matters.

To align with the adjustment of the charging standards for share settlement fees (continuous net settlement) in the Hong Kong market, on June 27, 2025, the Shenzhen Branch of CSDC amended the Guide to the Program for "Full Circulation" of H-shares of the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (《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 has come in to force as of June 30, 2025.

CSRC Requirements on Confidentiality and Archives Administration for Overseas Offering and Listing

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection and National Archives Administration of China jointly released the revised Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archives Administration Provisions**"), which came into effect on March 31, 2023. According to the Archives Administration Provisions, the Domestic Companies shall establish and implement a solid confidentiality and archives administration system.

In terms of providing accounting archives or copies thereof to any other entities or persons, such as securities companies, securities services providers and overseas regulators, the Archives Administration Provisions stipulate that relevant governmental procedures should be complied. Any violation of the above regulations may subject the Domestic Companies to regulatory penalties under the Safeguarding State Secrets Law of the PRC (《中華人民共和國保守國家秘密法》) and the Archives Law of the PRC (《中華人民共和國檔案法》) and even criminal liabilities to the extent applicable.

OVERVIEW

We are a biopharmaceutical company dedicated to the discovery and development of small-molecule drugs of autoimmune diseases and oncology.

Our history can be traced back to 2002, when our research and development entity, Hemay Bio-Tech, was founded by Dr. Zhang. Dr. Zhang is our founder, chairman of our Board, executive Director, general manager and Controlling Shareholder.

On April 3, 2019, our Company was established in the PRC, and was converted into a joint stock limited liability company in March 2023.

OUR MILESTONES

We set forth below the key milestones in our business and corporate development:

Year	Milestone(s)
2002	– Our research and development entity, Hemay Bio-Tech, was established.
2009	– We initiated pre-clinical studies for Mufemilast.
2012	– We submitted the application for IND approval in respect of Mufemilast.
2013	– We submitted the application for IND approval in respect of Hemay022.
2014	– Hemay Holding completed the first round of financing.
2015	– We obtained from NMPA an IND approval in respect of treatment of Ps with Mufemilast.
2017	– We conducted our first clinical trial in Australia, with efforts to commence our overseas research and development.
2018	– We completed the Phase I clinical trial of Mufemilast on single-dose and food effects study, and the Phase I clinical trial of Mufemilast on multiple-dose safety and pharmacokinetics.
2019	– Our predecessor company, Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業有限公司), was established. – We commenced the Phase II clinical trial of Mufemilast for the treatment of Ps. – Hemay Holding completed the second round of financing.
2020	– We completed the Phase I clinical trial of Hemay022 for monotherapy.
2021	– We completed the Phase II clinical trial of Mufemilast for the treatment of Ps. – We initiated the Phase II clinical trial of Mufemilast for the treatment of BD. – We completed Series C financing.

Year	Milestone(s)
2022	– We completed the Phase II clinical trial of Mufemilast for the treatment of BD. – We initiated the Phase III clinical trial of Mufemilast for the treatment of Ps. – We completed the Phase Ib clinical trial for Hemay022 in combination with endocrine drugs. – We initiated the Phase III clinical trial for Hemay022 for the treatment of breast cancer. – We entered into the capital increase agreement for Series D financing.
2023	– Our Company was converted into a joint stock limited liability company, and renamed as Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業股份有限公司). – We obtained from FDA orphan drug designation in respect of Mufemilast. – We submitted a pre-NDA application to CDE of Mufemilast for the treatment of Ps and a pre-IND application to the FDA of Mufemilast for the treatment of BD. – We initiated the Phase III clinical trial of Mufemilast for the treatment of BD. – We completed the Phase III clinical trial of Mufemilast for the treatment of Ps. – We initiated the Phase II clinical trial of Mufemilast for the treatment of UC. – We initiated the Phase I clinical trial of Hemay181 for the treatment of late-stage solid tumors in the PRC, and obtained an IND approval from FDA to begin the Phase I clinical trial of Hemay181 in the United States. – We completed Series D+ financing.
2024	– Our NDA application for Mufemilast for the treatment of Ps was accepted by NMPA. – NMPA granted "priority review" designation to the NDA application of Mufemilast for the treatment of Ps. – Our production base successfully passed the on-site inspection for drug registration production of Mufemilast. – We obtained the IND approval from the CDE for Mufemilast for the treatment of CD. – We completed Series E financing.
2025	– Our Phase II clinical trial for Mufemilast for the treatment of UC reached database lock stage. – We received the NDA approval from the NMPA for Mufemilast for the treatment of Ps.

OUR CORPORATE HISTORY AND DEVELOPMENT

The following sets forth the corporate history and major shareholding changes of our Company:

Establishment of the holding companies for our offshore structure

On March 12, 2014, Prime Honor was incorporated and wholly owned by Ms. Guo. On October 20, 2016, Dr. Zhang subscribed for Prime Honor's ordinary share. After the subscription, Prime Honor was equally held by Dr. Zhang and Ms. Guo.

On May 14, 2014, Hemay Holding was incorporated and the only ordinary share of Hemay Holding was transferred to Prime Honor. On May 21, 2014, Hemay Investment was incorporated and wholly owned by Hemay Holding.

On June 12, 2014, Hong Kong Hemay was incorporated and wholly owned by Hemay Investment.

Establishment of our Company

Our Company was established as a limited liability company in the PRC on April 3, 2019 with an initial registered capital of RMB50.00 million. As of the date of establishment, our Company was wholly owned by Hong Kong Hemay.

Development of our offshore structure

Pursuant to a share purchase agreement dated September 16, 2014, (i) Prime Honor subscribed for 75,999,999 ordinary shares of Hemay Holding at nil consideration, and (ii) Alnair Investment, LC Parallel Fund VI, L.P. and LC Fund VI, L.P. subscribed for 10,760,150, 369,594 and 8,870,256 series A preferred shares of Hemay Holding, respectively at a consideration of approximately US$3.49 million, US$0.12 million and US$2.88 million. The consideration for the subscription was determined based on arm's length negotiation between the parties after considering the operation and prospect of Hemay Holding and its subsidiaries as a whole. LC Parallel Fund VI, L.P. and LC Fund VI, L.P. subsequently transferred their entire shareholding in Hemay Holding to LC Healthcare Continued Fund I, L.P., as part of their internal reorganization.

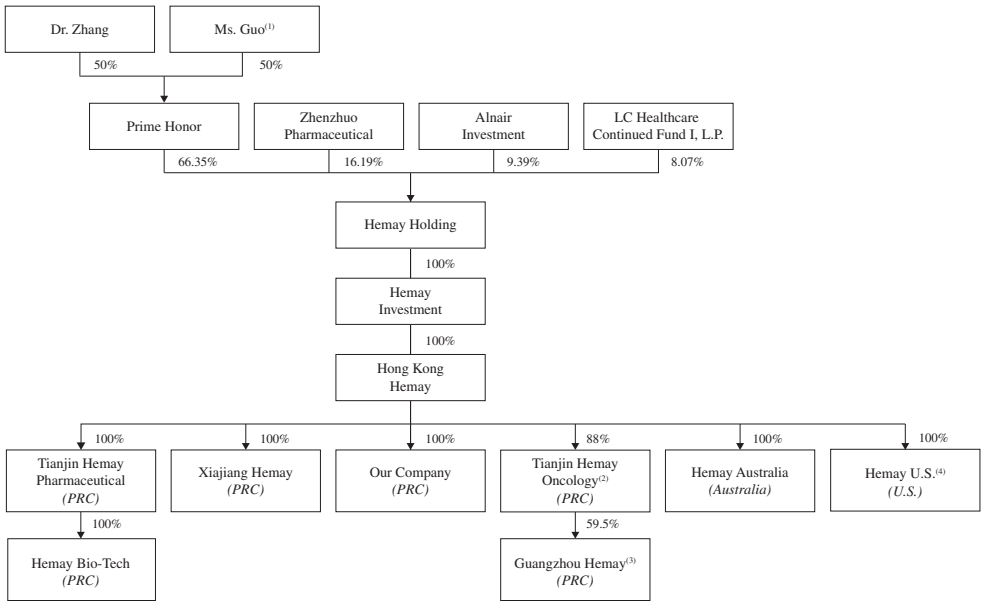
Pursuant to a share purchase agreement dated July 17, 2019, Zhenzhuo Pharmaceutical subscribed for 18,540,000 series B preferred shares of Hemay Holding at a total consideration of RMB180.00 million. The consideration for the subscription was determined based on arm's length negotiation between the parties after considering the operation and prospect of Hemay Holding and its subsidiaries as a whole.

Development of our subsidiaries

Since 2014, Hong Kong Hemay has established subsidiaries, including our Company, and acquired interests of our other subsidiaries.

On July 25, 2016, Tianjin Hemay Oncology was established by Tianjin Hemay Pharmaceutical, Truman, High Estate, Tigermed Investment, Shanghai Cenova and Efung Ruiyi, which subscribed for approximately RMB26.40 million, RMB0.30 million, RMB0.12 million, RMB0.18 million, RMB0.09 million, and RMB0.21 million of Tianjin Hemay Oncology's registered capital, respectively. Subsequently, on August 1, 2016, Truman, High Estate, Tigermed Investment, Shanghai Cenova and Efung Ruiyi subscribed for approximately RMB0.90 million, RMB0.36 million, RMB0.54 million, RMB0.28 million and RMB0.62 million of Tianjin Hemay Oncology's registered capital, respectively at the consideration of RMB32.20 million, RMB12.88 million, RMB19.32 million, RMB9.91 million and RMB22.29 million, respectively. On September 13, 2016, Tianjin Hemay Pharmaceutical transferred all its interest in Tianjin Hemay Oncology to Hong Kong Hemay at nil consideration as part of our internal restructuring.

The following chart sets out our corporate and shareholding structure in June 2021 immediately before the unwinding of our offshore structure:



Notes:

(1) Ms. Guo is the spouse of Dr. Zhang.

(2) Truman, High Estate, Tigermed Investment, Shanghai Cenova and Efung Ruiyi were respectively interested in approximately 4.00%, 1.60%, 2.40%, 1.23% and 2.77% of Tianjin Hemay Oncology's equity interests. Truman is an associate of Zhenzhou Pharmaceutical, while each of High Estate, Tigermed Investment, Shanghai Cenova and Efung Ruiyi is an Independent Third Party, see "— [**REDACTED**] Investments — Background of our [**REDACTED**] Investors" for details of their background.

(3) The remaining equity interest of Guangzhou Hemay was held by Dr. Zhang as to 30.00%, and two Independent Third Parties, Hong Zhangyong (洪章勇) and Yunneng Zhongchuang Space (Tianjin) Co., Ltd. (允能眾創空間(天津)有限公司) as to 10.00% and 0.50%, respectively. Guangzhou Hemay was deregistered on July 24, 2023 as it did not have any business operations.

(4) Hemay U.S. was deregistered on March 6, 2024 as it did not have any business operations.

Unwinding of our offshore structure

In relation to our A-Share Listing Attempt, we unwound our offshore structure and the shareholding of Hemay Holding was flipped down to the level of our Company which comprised of the following major steps:

Acquisition of interests in Tianjin Hemay Pharmaceutical, Xiajiang Hemay, Tianjin Hemay Oncology, Hemay Australia and Hemay U.S.

Hong Kong Hemay and Tianjin Hemay Pharmaceutical entered into share transfer agreements on July 15, 2021, pursuant to which Tianjin Hemay Pharmaceutical acquired the entire issued share capital of Hemay Australia and Hemay U.S. from Hong Kong Hemay at the consideration of AUD142,600 and US$19,000 respectively, which were determined based on the net asset value of such entities as of March 31, 2021.

On July 21, 2021, Hong Kong Hemay entered into a capital injection agreement with our Company, pursuant to which, Hong Kong Hemay invested RMB173,620,254 in our Company through transfer of the entire equity interests of Tianjin Hemay Pharmaceutical and Xiajiang Hemay and 88% of Tianjin Hemay Oncology's equity interests as consideration, and such amount was injected as the registered capital of our Company. The consideration was determined based on the valuation of equity interests of such entities as of March 31, 2021.

Upon completion of such capital injection, the registered capital of our Company increased from RMB50.00 million to approximately RMB223.62 million. Upon completion of the abovementioned acquisitions in August 2021, our Company wholly owned Tianjin Hemay Pharmaceutical, Xiajiang Hemay, Hemay Australia and Hemay U.S., and owned 88% of Tianjin Hemay Oncology's equity interest.

Establishment of Ganzhou Hesheng and Ganzhou Heyi

Ganzhou Hesheng was established as a limited liability partnership in the PRC on September 26, 2021 which serves as a platform for holding equity interests of our Company by Dr. Zhang. Since its establishment, Ganzhou Hesheng was managed by its general partner, Dr. Zhang, and Dr. Zhang is also interested in 99.90% of the interest in Ganzhou Hesheng. The remaining interest in Ganzhou Hesheng was held by Zhang Yumei, being Dr. Zhang's niece and Mr. Chen's spouse.

Ganzhou Heyi was established as a limited liability partnership in the PRC on September 26, 2021 with an initial registered capital of RMB0.55 million, which serves as our employee shareholding platform. For details of Ganzhou Heyi, see "— Employee Shareholding Platform."

Capital reduction of our Company

On September 28, 2021, the registered capital of our Company was reduced from approximately RMB223.62 million to RMB3.00 million. The capital reduction was for Hong Kong Hemay to withdraw its contribution in the registered capital of our Company for the repurchase of shares of Hemay Holding held by its shareholders.

Repurchase of shares in the holding companies of our offshore structure

On November 4, 2021, Prime Honor repurchased one ordinary share held by Dr. Zhang at a consideration of US$1.00. On November 15, 2021, Hemay Holding repurchased 10,760,150 and 9,239,850 series A preferred shares held by Alnair Investment and LC Healthcare Continued Fund I, L.P., respectively, and 18,540,000 series B preferred shares held by Zhenzhuo Pharmaceutical at a total consideration of approximately US$32.59 million which was the original investment amount of such shareholders. On November 15, 2021, Prime Honor surrendered 75,999,999 ordinary shares of Hemay Holding at nil consideration.

Upon completion of the abovementioned steps, Hemay Holding was wholly owned by Prime Honor, and Prime Honor was wholly owned by Ms. Guo.

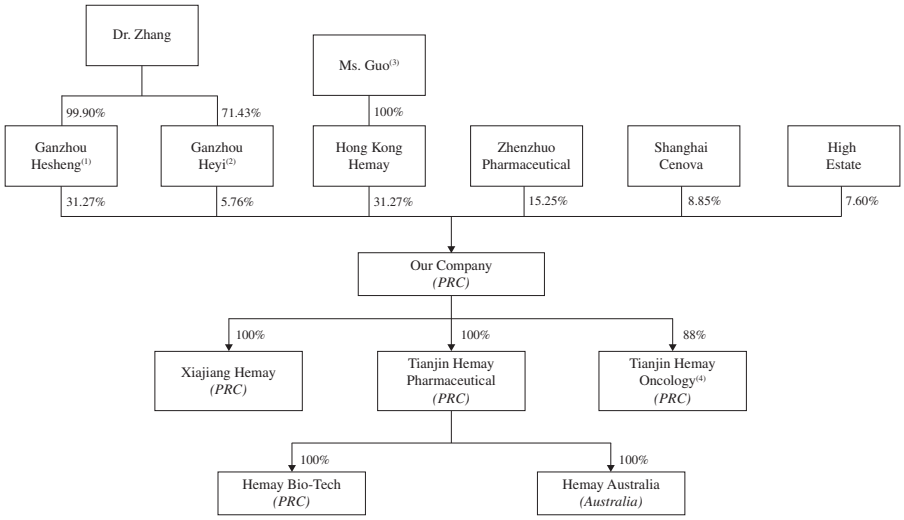
Capital injection in our Company

On November 9, 2021, Ganzhou Hesheng and Ganzhou Heyi subscribed for RMB3.00 million and approximately RMB0.55 million of the registered capital of our Company, at a consideration of the same amount, respectively, after which the registered capital of our Company was increased to approximately RMB6.55 million.

In order to mirror the financing previously made by certain investors through Hemay Holding in our offshore structure, pursuant to a capital increase agreement dated November 15, 2021, Shanghai Cenova, being the special purpose vehicle designated by Alnair Investment, and High Estate, being the special purpose vehicle designated by LC Healthcare Continued Fund I, L.P., invested approximately US$3.49 million and US$3.00 million in our Company, subscribing for approximately RMB0.85 million and RMB0.73 million of our Company's registered capital, respectively. For details, see "— Development of our offshore structure."

In order to mirror the financing previously made by Zhenzhuo Pharmaceutical through Hemay Holding in our offshore structure, pursuant to a capital increase agreement dated December 6, 2021, Zhenzhuo Pharmaceutical invested approximately US$26.09 million in our Company, subscribing for approxiamtely RMB1.46 million of our Company's registered capital. For details, see "— Development of our offshore structure."

Upon completion of unwinding of our offshore structure, the registered capital of our Company was increased to approximately RMB9.60 million. The following chart sets out our corporate and shareholding structure upon completion of the unwinding of our offshore structure:



Notes:

(1) Dr. Zhang was the general partner of Ganzhou Hesheng, and was also interested in 99.90% of Ganzhou Hesheng's partnership interest. Dr. Zhang is the chairman of our Board, our executive Director and general manager. The remaining partnership interest of Ganzhou Hesheng was held by Zhang Yumei (張玉梅), being Dr. Zhang's niece and Mr. Chen's spouse.

(2) Ganzhou Heyi was our employee shareholding platform controlled by Dr. Zhang by virtue of his role as its general partner. Dr. Zhang was also interested in approximately 71.43% of Ganzhou Heyi's partnership interest. Mr. Chen (our executive Director) and Zhang Yumei was also interested in 7.14% and 7.14% of Ganzhou Heyi's partnership interest, respectively. 14.28% of Ganzhou Heyi's partnership interest was held by two individuals, each an Independent Third Party. See "— Employee Shareholding Platform" for details.

(3) Ms. Guo is the spouse of Dr. Zhang. Ms. Guo is the sole shareholder of Prime Honor, which holds the entire equity interest of Hemay Holding. Hemay Holding is the sole shareholder of Hemay Investment, which holds the entire equity interest of Hong Kong Hemay.

(4) Truman, High Estate, Tigermed Investment, Shanghai Cenova and Efung Ruiyi were respectively interested in approximately 4.00%, 1.60%, 2.40%, 1.23% and 2.77% of Tianjin Hemay Oncology's equity interests. Truman is an associate of Zhenzhuo Pharmaceutical, while each of High Estate, Tigermed Investment, Shanghai Cenova and Efung Ruiyi is an Independent Third Party, see "— [**REDACTED**] Investments — Background of our [**REDACTED**] Investors" for details of their background.

Major corporate developments of our Company

Series A Financing

Pursuant to the capital increase agreement dated November 15, 2021, (i) Shanghai Cenova invested approximately US$3.49 million in our Company, and (ii) High Estate invested approximately US$3.00 million in our Company. These investments were made to reflect the corresponding investments at Hemay Holding's level. For details, see "— Unwinding of our offshore structure — Capital injection in our Company."

Series B Financing

Pursuant to the capital increase agreement dated December 6, 2021, Zhenzhuo Pharmaceutical invested approximately US$26.09 million in our Company. These investments were made to reflect the corresponding investment at Hemay Holding's level. For details, see "— Unwinding of our offshore structure — Capital injection in our Company."

Series C Financing

Pursuant to the capital increase agreement dated December 24, 2021, the following [**REDACTED**] Investors subscribed for our Company's registered capital through the respective forms of considerations:

(i) Rights and interests in Mufemilast

Funding was provided by entities controlled by Mr. Zhuang (the "**Zhuang Entities**") and Truman to support our research and development of Mufemilast from 2005 to 2020, and agreements were entered into between our Group and the Zhuang Entities where we agreed that profits from the Mufemilast project shall be shared among the Zhuang Entities and us. The rights and obligations related to Mufemilast held by the Zhuang Entities were then transferred to Truman.

As we secured financing from other investors, and commenced research and development work for other products, our Group and Truman agreed that all rights and interest in Mufemilast shall vest in our Group in order to support our future development. Truman transferred all commercial rights and interests held by it in the Mufemilast project to our Company at a total consideration of RMB250.00 million, amongst which RMB220.00 million was settled through the subscription of RMB1.06 million of our registered capital, and the remaining RMB30.00 million was settled by our Company using monetary funds. The consideration was based on the valuation of the Mufemilast project as of December 30, 2020. Truman relinquished all claims on Mufemilast upon completion of the transfer. For details of arrangements between Truman, the Zhuang Entities and us, see "Business — Cooperation with third parties — Our Historical Cooperation with Zhuang Entities".

Save as disclosed above and save for (a) Mr. Zhuang's interest in Zhenzhuo Pharmaceutical, which is our Shareholder and (b) Truman being a majority controlled company held by Mr. Zhuang's family member and our Shareholder, to the best knowledge of our Directors, as at the Latest Practicable Date, there are no other relationships between (i) Mr. Zhuang and his associates, and (ii) our Group, our Directors and their respective associates.

(ii) Equity interests in Tianjin Hemay Oncology

Truman, High Estate, Tigermed Investment, Shanghai Cenova and Efung Ruiyi invested RMB32.50 million, RMB13.00 million, RMB19.50 million, RMB10.00 million and RMB22.50 million in our Company, in the form of 4.00%, 1.60%, 2.40%, 1.23% and 2.77% of equity interests in Tianjin Hemay Oncology, subscribing for approximately RMB0.16 million, RMB0.06 million, RMB0.09 million, RMB0.05 million and RMB0.11 million of our Company's registered capital, respectively. The value of the equity interests in Tianjin Hemay Oncology, being the consideration for such capital injections, was based on Tianjin Hemay Oncology's valuation as of October 31, 2021. Upon completion of the injections, Tianjin Hemay Oncology became our wholly-owned subsidiary.

(iii) Monetary funds

Zhenzhuo Xinqi and Detong Hexin subscribed for approximately RMB0.31 million and RMB0.24 million of our Company's registered capital at the subscription price of RMB65.00 million and RMB50.00 million, respectively, which was settled using monetary funds.

(iv) Conversion of convertible loan interests

By conversion of Tigermed Investment and Orient Yirui's convertible loan interest under convertible loan agreements, where Tigermed Investment and Orient Yirui provided to our Company a convertible loan of RMB30.00 million and RMB40.00 million, Tigermed Investment and Orient Yirui subscribed for approximately RMB0.14 million and RMB0.19 milion of our Company's registered capital, respectively.

Series D Financing

Pursuant to the capital increase agreement dated December 23, 2022, Jihan Investment, Xiade Investment, Anxin Guosheng, Taikun Investment, Yide Investment, Linde Investment and Xinfeng County Development subscribed for RMB0.17 million, RMB0.11 million, RMB0.09 million, RMB0.09 million, RMB0.05 million, RMB0.04 million and RMB0.23 million, of our Company's registered capital, respectively at the subscription price of approximately RMB44.21 million, RMB28.00 million, RMB22.10 million, RMB22.10 million, RMB12.53 million, RMB11.05 million and RMB60.00 million, respectively.

Equity transfers in 2022 and 2023

Pursuant to the equity transfer agreements entered into between December 2022 and February 2023, Shanghai Cenova transferred approximately 0.63%, 0.45%, 0.40%, 0.32%, 0.32%, 0.18%, 0.16% of our Company's registered capital as of the date of transfer, to each of Jihan Investment, Anhui Jinrui, Xiade Investment, Anxin Guosheng, Taikun Investment, Yide Investment and Linde Investment, at a consideration of approximately RMB15.79 million, RMB12.00 million, RMB10.00 million, RMB7.89 million, RMB7.89 million, RMB4.47 million and RMB3.95 million, respectively, which was determined amongst the transferor and transferees based on arm's length negotiations with reference to our valuation for the Series C Financing.

Conversion into a joint stock limited liability company

On March 23, 2023, our Company was converted into a joint stock company with limited liability and the company name was changed to Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業股份有限公司) (the "**Conversion**"). Upon completion of the Conversion, the registered capital of our Company became RMB360.00 million divided into 360,000,000 Shares with a nominal value of RMB1.00 each. Immediately upon completion of the Conversion, the shareholding structure of our Company was as follows:

Shareholder	Number of Shares	Approximate % of shareholding
Ganzhou Hesheng	84,502,685	23.47
Hong Kong Hemay	84,502,685	23.47
Zhenzhuo Pharmaceutical	41,228,409	11.45
Truman	34,122,212	9.48
High Estate	22,304,033	6.20
Shanghai Cenova	16,892,397	4.69
Ganzhou Heyi	15,566,325	4.32
Zhenzhuo Xinqi	8,783,941	2.44
Jihan Investment	6,958,852	1.93
Detong Hexin	6,756,863	1.88
Tigermed Investment	6,689,233	1.86
Xinfeng County Development	6,545,465	1.82
Orient Yirui	5,405,496	1.50
Xiade Investment	4,407,266	1.22
Anxin Guosheng	3,479,426	0.97
Taikun Investment	3,479,426	0.97
Efung Ruiyi	3,040,604	0.84
Yide Investment	1,971,701	0.55
Linde Investment	1,739,713	0.48
Anhui Jinrui	1,623,268	0.45
Total	**360,000,000**	**100.00**

Series D+ Financing

Pursuant to the capital increase agreement dated March 27, 2023, Aile Zhide and Dongneng Jiayuan subscribed for 23,258,182 Shares and 1,636,364 Shares at a consideration of RMB213.20 million and RMB15.00 million, respectively.

Series E Financing

Pursuant to the capital increase agreement dated September 14, 2024, Gansu Xinglong subscribed for 9,926,262 Shares at a consideration of RMB98.00 million.

Pursuant to the capital increase agreement dated December 25, 2024, each of Xinfeng County Development and Ganzhou Talent Fund subscribed for 1,012,884 Shares at a consideration of RMB10.00 million and RMB10.00 million, respectively.

PRC Legal Advisor's confirmation

As advised by our PRC Legal Advisor, our Company has made all necessary registration and filings with the relevant local branch of State Administration for Market Regulation of the PRC (國家市場監督管理總局) in respect of the material aspects set out above.

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had seven subsidiaries, details of our major subsidiaries are set forth below:

Subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered capital/issued share capital	Principal business activities
Tianjin Hemay Pharmaceutical[(1)] .	PRC	August 27, 2014	RMB80.00 million	Research and development of drugs
Tianjin Hemay Oncology[(1)]	PRC	July 25, 2016	RMB30.00 million	Research and development of drugs for the treatment of tumors
Xiajiang Hemay[(1)] . .	PRC	March 2, 2012	RMB100.00 million	Drug production

Note:

(1) Tianjin Hemay Pharmaceutical, Tianjin Hemay Oncology and Xiajiang Hemay commenced operations in 2014, 2016, and 2013, respectively.

Xiajiang Hemay issued the Convertible Bond with a principal amount of RMB60.0 million to the Subscriber in March 2020 for a term of five years at an interest rate of 4.9% per annum for the construction of Xiajiang Hemay's production facilities, and to procure machinery and equipment. The Subscriber can exercise its right to require Xiajiang Hemay to redeem all or part of the Convertible Bond and to request to convert outstanding amount thereunder to equity interest of Xiajiang Hemay (which shall be determined based on the valuation of Xiajiang Hemay as appraised by a valuer) upon the occurrence of certain events, such as when Xiajiang Hemay fails to repay the principal or interest of the Convertible Bond according to the repayment schedule.

The Subscriber was wholly-owned by Xiajiang County Chengkong Construction Development Group Co., Ltd. (峽江縣城控建設發展集團有限公司), which was controlled by Xiajiang County State-owned Assets Affairs Center (峽江縣國有資產事務中心), hence the Subscriber and its ultimate beneficial owners are Independent Third Parties.

We informed the Subscriber our intention to extend the term of the Convertible Bond in December 2024, and had been communicating with the Subscriber since February 2025. However as additional time was required for the Subscriber to go through its decision-making process, the parties were not able to agree to extend the maturity date before the expiry of the original term. Nonetheless, the Subscriber did not exercise its rights to redeem or convert upon the expiry of the original term as the Subscriber confirmed beforehand that it has approved the extension in-principal Xiajiang Hemay and the Subscriber entered into a supplemental agreement in June 2025, pursuant to which, among others, the term of the Convertible Bond was extended to March 2026 and the interest payable by Xiajiang Hemay during March 2025 to March 2026 shall be 3.6% per annum. In March 2026, Xiajiang Hemay fully redeemed the Convertible Bond.

EMPLOYEE SHAREHOLDING PLATFORM

In recognition of the contributions of our employees and to incentivize them to further promote our development, before our offshore structure was unwound, up to 7,000,000 ordinary shares of Hemay Holding was reserved. In order to formalize such plan at the onshore level, Ganzhou Heyi was established as our employee shareholding platform in September 2021. As of the Latest Practicable Date, Ganzhou Heyi was interested in 15,566,325 Shares, representing approximately 3.92% of our Company's equity interest.

For details of the Equity Incentive Scheme, see "Appendix VII — Statutory and General Information — D. Equity Incentive Scheme."

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

The acquisition of our subsidiaries was considered as part of the Reorganisation. See "— Our Corporate History and Development" for details. Save as the abovementioned acquisitions, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any major acquisitions, disposals or mergers.

[REDACTED] INVESTMENTS

Principal terms of the [REDACTED] Investments

The following table sets forth a summary of the details of the [**REDACTED**] Investments:

Nature	Date of agreement	Date of last payment of full consideration	Consideration paid	Cost per Share[(1)]	Discount to the [REDACTED][(2)]	Corresponding post-money valuation of our Company (approximation)[(3)]
			(RMB, unless stated otherwise)	*(RMB)*		*(RMB)*
Series A Financing[(4)]	November 15, 2021	April 6, 2022	USD6,493,611.91	0.90	[**REDACTED**]	0.2 billion
Series B Financing[(6)]	December 6, 2021	March 25, 2022	USD26,092,628.83	4.37	[**REDACTED**]	1.2 billion[(7)]
Series C Financing	December 24, 2021	January 4, 2022	502,500,000	7.40	[**REDACTED**]	2.5 billion[(7)]
Series D Financing	December 23, 2022	January 19, 2023	200,000,000	9.17	[**REDACTED**]	3.3 billion[(7)]
Equity transfers[(5)]	December 23, 2022	January 30, 2023	50,000,000	7.39	[**REDACTED**]	N/A
	February 20, 2023	February 28, 2023	12,000,000	7.39	[**REDACTED**]	
Series D+ Financing	March 27, 2023	March 27, 2023	228,200,000	9.17	[**REDACTED**]	3.5 billion[(7)]
Series E Financing	September 14, 2024	November 20, 2024	98,000,000	9.87	[**REDACTED**]	3.9 billion[(7)]
	December 25, 2024	December 30, 2024	20,000,000	9.87	[**REDACTED**]	

Notes:

(1) The cost per Share is the total consideration paid by the [**REDACTED**] Investors in each [**REDACTED**] Investment as divided by either (i) the registered capital subscribed by them (as adjusted to the number of Shares such registered capital represents after the Conversion) or (ii) the number of Shares acquired by them in the respective round of [**REDACTED**] Investment.

(2) The discount to the [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per [**REDACTED**], being the mid point of the indicative [**REDACTED**] range.

(3) The post-money valuation is the product of (i) the cost per Share of the respective round of [**REDACTED**] Investment or the respective investment within a round and (ii) the total registered capital (as adjusted to the number of Shares such registered capital represents after the Conversion) or the total share capital of our Company, immediately after the relevant investment.

(4) Series A Financing refers to the corresponding investments made by Alnair Investment, LC Parallel Fund VI, L.P. and LC Fund VI, L.P. at Hemay Holding's level prior to the unwinding of our offshore structure in September 2014 which were flipped down to our Company. For details, see "— Our Corporate History and Development — Major corporate developments of our Company."

(5) Shanghai Cenova transferred part of its equity interests in our Company. For details, see "— Our Corporate History and Development — Major corporate developments of our Company — Equity transfers in 2022 and 2023."

(6) Series B Financing refers to the corresponding investment made by Zhenzhuo Pharmaceutical at Hemay Holding's level prior to the unwinding of our offshore structure in July 2019 which was flipped down to our Company. For details, see "— Our Corporate History and Development — Major corporate developments of our Company."

(7) The increase in our post-money valuation during each series of financing has taken into account advancements in our business and pipeline products, in particular, (i) our valuation increased from Series A Financing to Series B Financing as our Company obtained from NMPA an IND approval in respect of treatment of Ps with Mufemilast in 2015, and completed two Phase I clinical trials of Mufemilast in 2018; (ii) our valuation significantly increased from

Series B Financing to Series C Financing as we have commenced the Phase II clinical trial of Mufemilast for the treatment of Ps in 2019, and completed the Phase I clinical trial of Hemay022 for monotherapy in 2020; (iii) our valuation significantly increased from Series C Financing to Series D and D+ Financing as we completed the Phase II clinical trial of Mufemilast for the treatment of BD in 2022, and initiated the Phase III clinical trial of Mufemilast for the treatment of Ps during the year; and (iv) our valuation increased from Series D and D+ Financing to Series E Financing as NMPA granted "priority review" designation to the NDA application of Mufemilast for the treatment of Ps in 2024.

The step-up in our valuation upon [**REDACTED**] from Series E Financing is primarily due to (i) the R&D progress we made in our drug candidates and platforms, alongside achieving key business milestones subsequent to Series E financing, including the approval by NMPA of our NDA application for Mufemilast for the treatment of moderate to severe plaque Ps; and; obtaining outstanding key data upon the completion of Phase II clinical trial for Mufemilast for the treatment of moderate to severe UC in 2025. Such key data has been included in the Late Breakers, a session in the UEG Week 2025, for verbal presentation and publication in October 2025. As the efficacy and safety of Mufemilast for the treatment of UC has been validated, the projected market for the product has expanded significantly. Besides, with Phase II clinical trial of Mufemilast for the treatment of COPD officially commenced, the projected market of the product would be further expanded. Hence, the product value of Mufemilast has been further unlocked and validated as a whole. In addition, the enrollment for Phase Ia Dose Escalation clinical trial of Hemay181 has been completed, and the Phase Ib expansion clinical trial is set to commence soon; (ii) the expected increase in our capital and resources to implement the plans as detailed in "Future Plans and [**REDACTED**]" as well as the Company's status as a [**REDACTED**] upon [**REDACTED**]; (iii) the potential business development of the Company; and (iv) the increased liquidity of the Shares subsequent to the [**REDACTED**] and current market conditions, in particular, the general rebound of the pharmaceutical equity investment market.

Further details of the [REDACTED] Investments

Basis of determining the consideration . .	The consideration for each round of the [**REDACTED**] Investments was determined based on arm's length negotiation amongst the respective [**REDACTED**] Investor and our Group after taking into consideration of the timing of the investments, the respective business operations, financial performance and prospects of the business of our Group.
Use of proceeds	As the consideration paid by certain [**REDACTED**] Investors for the [**REDACTED**] Investments through the transfer of rights and interests in Mufemilast to us, no cash proceeds were received by our Company. For details, see "— Our Corporate History and Development — Major corporate developments of our Company — Series C Financing." As of the Latest Practicable Date, approximately 80% of the net proceeds from the [**REDACTED**] Investments received by our Group for the development and operation of our business, including but not limited to pharmaceutical research and development activities, recruiting experienced employees and general working capital and we expect to continue to utilize the remaining net proceeds in our ordinary course of business to pharmaceutical research and development.
Strategic benefits of the* [REDACTED] *Investors brought to our Company	Our Group was of the view that we could benefit from the additional funds provided by our [**REDACTED**] Investors for our research and development activities and daily operation, as well as their knowledge, experience and insight into our industry. The investments from our [**REDACTED**] Investors demonstrated their confidence in our Group's operations and capabilities and served as an endorsement of our Group's performance and prospects. Also, our [**REDACTED**] Investors include experienced investors and investment funds in the areas of pharmaceutical industry, who can share their insights and professional advice on our Group's operation and business strategies.
Lock-up period	Pursuant to the applicable PRC law, all Shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange.

Special rights granted to the [REDACTED] *Investors*

Special rights including among others, anti-dilution rights, redemption rights, liquidation priority, pre-emptive rights and tag-along rights had been granted to the [**REDACTED**] investors.

Pursuant to the shareholder's agreement dated February 25, 2023 (the "**2023 Agreement**") among our Company and our then shareholders, special rights borne by our Company, including anti-dilution rights, redemption rights and liquidation priority against our Company granted to investors who made investments during the Series D Financing or before (the "**Early [REDACTED] Investors**") were terminated immediately prior to our Company's conversion into a joint stock limited liability company and cannot be reinstated in any circumstances.

Our Company then entered into shareholder's agreements upon completion of the Series D+ Financing and Series E Financing, pursuant to which, among other things, special rights with payment obligations that shall be solely borne by the Controlling Shareholders were granted to the [**REDACTED**] Investors. Such special rights did not impose any unavoidable contractual obligations on us to deliver cash or other forms of financial assets. Moreover, no financial assistance, guarantee, underwriting or other arrangements was or will be provided or obligated by us to the Controlling Shareholders by virtue of the special rights.

All Shareholders and our Company further entered into a supplemental shareholder's agreement on May 13, 2025, pursuant to which all special rights (including other special rights granted to the Early [**REDACTED**] Investors which were obligated by the Controlling Shareholders) ceased to be effective from the date of first submission of the [**REDACTED**] form for the [**REDACTED**], provided that all such special rights (except the liquidation priority) shall be reinstated in the event our [**REDACTED**] has been returned, rejected or not approved, or our Company fails to complete the [**REDACTED**] within 12 months after the [**REDACTED**] being approved by the Stock Exchange. Further, special rights borne by our Company terminated pursuant to the 2023 Agreement cannot be reinstated in any event, and there are no other arrangements imposing any obligation on us if the abovementioned rights are reinstated.

Sole Sponsor's Confirmation

On the basis that (i) the considerations for the [**REDACTED**] Investments were and/or will be settled more than 28 clear days before the date of first submission of the [**REDACTED**] to the Stock Exchange and no less than 120 clear days before the [**REDACTED**]; and (ii) the special rights granted to the [**REDACTED**] Investors had been suspended or terminated prior to the submission of the application for the [**REDACTED**] and/or will be terminated upon completion of the [**REDACTED**], the Sole Sponsor confirms that the [**REDACTED**] Investments are in compliance with chapter 4.2 of the Guide.

Background of our [REDACTED] Investors

To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, save for Zhenzhuo Pharmaceutical, Zhenzhuo Xinqi, Truman and Xie Conglin, each of the [**REDACTED**] Investors including their respective general partners and limited partners which held more than 30% of the investors' interest is an Independent Third Party.

Below sets out the background information of our [**REDACTED**] Investors which hold more than 1% of our total issued share capital as of the Latest Practicable Date:

Zhenzhuo Pharmaceutical

Zhenzhuo Pharmaceutical is a limited liability partnership established in the PRC on January 12, 2019, and is primarily engaged in pharmaceutical investment. Zhenzhuo Pharmaceutical is held by its two general partners, Zhenzhuo Investment, and Jiaxing Zhenzhuo Hongzhi Investment Partnership (Limited Partnership) (嘉興真灼弘智投資合夥企業(有限合夥)) ("**Zhenzhuo Hongzhi**"), as to approximately 0.005% and 0.5%, respectively. Zhenzhuo Hongzhi is primarily engaged in industrial investment and investment management, and is controlled by Mr. Zhuang as to approximately 99.90% and Zhenzhuo Investment as to approximately 0.10%. Zhenzhuo Investment is primarily engaged in investment management and asset management, and was designated as the executive partner by Zhenzhuo Pharmaceutical's partners, to exclusively manage Zhenzhuo Pharmaceutical's affairs. Zhenzhuo Investment is held by Wang Zhen (王鎮) as to 60.00%, and Ren Yonghua (任詠華), as to 40.00%.

Mr. Wang founded Zhenzhuo Investment in 2016. Prior to founding Zhenzhuo Investment, Mr. Wang worked in the investment banking department of various firms, including Changjiang BNP Paribas, Bohai Securities and CITIC Securities for over 20 years, and was responsible for the restructuring, mergers and acquisitions, as well as fundraising of listed companies. Mr. Wang,

through funds managed by himself, also completed investments in technology enterprises such as East-Asia Pharmaceutical (a company listed on the Shanghai Stock Exchange, stock code: 605177) and Toua Hardware & Tools (a company listed on the Shenzhen Stock Exchange, stock code: 301125).

Mr. Ren has extensive experience in the financial industry. Since November 2016, Mr. Ren has served as executive director of Zhenzhuo Investment. From April 2015 to October 2016, he served as the investment director of Beijing Ouzhong Ronghe Investment Fund Management Co., Ltd. (北京歐中榮和投資基金管理有限公司). Mr. Ren resigned as a Director in May 2025 due to personal reasons as he wanted to focus on other work commitments, and since then he has not assumed any role in our Group. Mr. Ren does not have any dispute or disagreement with our Company, and his resignation did not have any impact on our operations or corporate governance.

Zhenzhuo Pharmaceutical has six limited partners, none of which holds 30% or more of its partnership interest.

As of December 31, 2024, Zhenzhuo Investment, through investment funds controlled by it, had invested in a large number of pharmaceutical/healthcare/biotech companies, including Anbo Zhilian (Suzhou) Biotechnology Co., Ltd. (安博智聯(蘇州)生物科技有限公司), Sichuan Ankekang Biopharmaceutical Co., Ltd. (四川安可康生物醫藥有限公司), Chengdu Saijing Biopharmaceutical Technology Co., Ltd. (成都賽璟生物醫藥科技有限公司), Anhui Zhongke Tuoran Pharmaceutical Science Research Co., Ltd. (安徽中科拓苒藥物科學研究有限公司), and Sichuan Ziteng Pharmaceutical Co., Ltd. (四川子騰醫藥股份有限公司).

Zhenzhuo Investment is deemed to be interested in the Shares held by Zhenzhuo Pharmaceutical and Zhenzhuo Xinqi pursuant to the SFO as Zhenzhuo Investment being the executive partner of both entities is regarded as their controller.

Mr. Zhuang owned a majority interest in Zhenzhuo Hongzhi, one of Zhenzhuo Pharmaceutical's general partners and a passive financial investor. As the power to make investment decisions of Zhenzhuo Pharmaceutical vests with Zhenzhuo Investment, Mr. Zhuang is not deemed to be interested in the Shares held by Zhenzhuo Pharmaceutical pursuant to the SFO. Since Truman, an associate of Mr. Zhuang, is unable to influence the decision-making process of Zhenzhuo Pharmaceutical and Zhenzhuo Xinqi, they are not considered to be under common control.

Zhenzhuo Xinqi

Zhenzhuo Xinqi is a limited liability partnership established in the PRC on December 18, 2017, and is primarily engaged in industrial investment and investment management. Zhenzhuo Xinqi is held by its three general partners, Zhenzhuo Investment and Xie Conglin (謝聰琳), the nephew of Ms. Guo, and Zhang Bing (張冰), as to approximately 0.01%, 38.99% and 9.75%, respectively. Zhenzhuo Investment was designated by Zhenzhuo Xinqi's partners as the executive partner to exclusively manage Zhenzhuo Xinqi's affairs. Zhenzhuo Xinqi has 16 limited partners, none of which holds 30% or more of its partnership interest.

For background of Zhenzhuo Investment, see "— Zhenzhuo Pharmaceutical."

Truman

Truman is a limited liability company incorporated in Hong Kong on November 7, 2014 and is primarily engaged in pharmaceutical investment. Truman is wholly owned by Hailing Pharmaceutical Holdings Limited, which is indirectly wholly owned by Mr. Jacky Zhuang. Truman previously provided funding to us for the research and development of Mufemilast. For details, see "Business — Cooperation with third parties — Our Historical Cooperation with Zhuang Entities".

Aile Zhide

Aile Zhide is a limited liability partnership established in the PRC on March 6, 2023, and is primarily engaged in venture capital investment. Aile Zhide is held by its general partner, Shanghai Hongfu, which is primarily engaged in equity investment in venture-stage companies and is held by Shanghai Hongfu Houde Enterprise Management Partnership (Limited Partnership) (上海鴻富厚德企業管理合夥企業(有限合夥)) and Yang Zhichun (楊志春) as to 45.00% and 30.00%, respectively.

Aile Zhide has eight limited partners, none of which holds 30% or more of its partnership interest.Yang Zhichun is Shanghai Hongfu Houde Enterprise Management Partnership (Limited Partnership) 's executive partner, and is also interested in 68.89% of its partnership interest.

Shanghai Hongfu was the general partner of other [**REDACTED**] Investors, being Xiade Investment, Yide Investment and Linde Investment, and Gansu Xinglong and Anhui Jinrui were also Aile Zhide's limited partners which held 22.82% and 22.82% of its partnership interest, respectively.

Xiade Investment

Xiade Investment is a limited liability partnership established in the PRC on August 29, 2022, and is primarily engaged in venture capital investment. Xiade Investment is held by its general partner, Shanghai Hongfu, as to approximately 0.74%. Xiade Investment has 10 limited partners, none of which holds 30% or more of its partnership interest. For details of Shanghai Hongfu's partnership structure, see "—Aile Zhide" above.

Gansu Xinglong

Gansu Xinglong is a limited liability partnership established in the PRC on December 21, 2015, and is primarily engaged in equity investment, equity investment management and provision of investment consulting services. Gansu Xinglong is held by its general partner and executive partner, Gansu Great Wall Xinglong Silk Road Fund Management Co., Ltd. (甘肅長城興隴絲路基金管理有限公司), which is ultimately owned by State-owned Assets Supervision of Gansu Provincial People's Government Management Committee (甘肅省人民政府國有資產監督管理委員會), as to 0.50%. Gansu Xinglong has two limited partners, Gansu Xinglong Capital Management Co., Ltd. (甘肅興隴資本管理有限公司) and Gansu Xinye Asset Management Co., Ltd. (甘肅省新業資產經營有限責任公司), holding 50.50% and 49.00% of its partnership interest, respectively, both of which are ultimately owned by State-owned Assets Supervision of Gansu Provincial People's Government Management Committee (甘肅省人民政府國有資產監督管理委員會).

High Estate

High Estate is a limited liability company incorporated in Hong Kong on February 16, 2016 and is an investment holding company. High Estate is wholly owned by LC Healthcare Continued Fund I, L.P.. LC Healthcare Continued Fund I, L.P. is managed by its general partner, LC Healthcare Continued Fund GP Limited, which is primarily engaged in investment management and is indirectly wholly owned by Legend Capital Co., Ltd. (君聯資本管理股份有限公司), which operates under the brand of Legend Capital, a leading venture capital and private equity investor focusing on the early-stage and growth-stage opportunities in China with over funds of US$10 billion in commitments under management and investment history in over 600 companies. Legend Capital is owned as to 80% by Beijing Juncheng Hezhong Investment Management Partnership Enterprise (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)), the general partner of which is Beijing Junqi Jiarui Enterprise Management Co., Ltd. (北京君祺嘉睿企業管理有限公司), which is in turn owned by Chen Hao (陳浩) as to 40% and by Zhu Linan (朱立南), Wang Nengguang (王能光) and Li Jiaqing (李家慶), as to 20% each.

LC Healthcare Continued Fund I, L.P. has 12 limited partners, and the largest limited partner is Coller Partners 805 LP Incorporated, holding approximately 40.94% of its partnership interest. Coller Partners 805 LP Incorporated is a fund managed by Coller Capital. Coller Capital, founded in 1990, is one of the leading investors in private equity's secondary market, and has raised funds which invest across the full spectrum of private equity's secondary market. Coller Capital's AUM as at June 30, 2025 is US$46 billion. None of the other limited partners of LC Healthcare Continued Fund I, L.P. holds 30% or more of its partnership interest.

Shanghai Cenova

Shanghai Cenova is a limited liability partnership established in the PRC on July 12, 2012, and is primarily engaged in venture capital, investment management and investment consulting services. Shanghai Cenova is held by Shanghai Cenova Bioventure Equity Investment Fund Management Enterprise (Limited Partnership) (上海千驥諾格醫藥股權投資基金管理企業(有限合夥)) ("**Cenova Bioventure**"), its general partner as to 1.00%, and which is primarily engaged in equity investment in the medical health industry and Cenova Bioventure is held by its general partner, Novoasis Investment Limited (諾和投資有限公司) ("**Novoasis**") as to 57.60%. Shanghai

Cenova Xinghe Ventures Capital Management Co., Ltd. (上海千驥星鶴創業投資管理有限公司) ("**Cenova Xinghe**") is the fund manager of Shanghai Cenova, and Novoasis holds 51.00% of its equity interest, and is the party responsible for managing and making investment decisions of Shanghai Cenova. Cenova Xinghe is a private equity fund with assets under management of not less than RMB2.9 billion as at December 31, 2024.

Novoasis Investment Limited is ultimately controlled by Wu Jun. Wu Jun graduated from the University of California with a PhD in Molecular Immunology. From September 2001 to December 2009, he served as an executive director and chief scientist of Shanghai Ruixing Gene Technology Co., Ltd. (上海睿星基因技術有限公司), and was a founding partner of Cenova Capital.

Shanghai Cenova has five limited partners, and the largest limited partner is Shanghai MSD Pharmaceutical Trading Co., Ltd. (上海默沙東醫藥貿易有限公司) ("**Shanghai MSD**"), holding approximately 49.50% of its partnership interest. None of the other limited partners of Shanghai Cenova holds 30% or more of its partnership interest. Shanghai MSD is indirectly wholly owned by MSD ASIA HOLDINGS PTE. LTD., which is a subsidiary of Merck & Co., Inc. (a company listed on the New York Stock Exchange, stock code: MRK). Merck & Co., Inc. is a global health care company that delivers health solutions through its prescription medicines, vaccines, biologic therapies and animal health products. Merck has previously invested in companies including Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (a company listed on the Stock Exchange, stock code: 6990).

Novoasis Investment Limited, through Shanghai Cenova Biomedical Venture Capital Co., Ltd. (上海千驥生物醫藥創業投資有限公司) being a fund managed by it, has also invested in companies in the healthcare industry, including Shanghai Aohua Photoelectricity Endoscope Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688212), a leading medical device manufacturer in the PRC specializing in electronic endoscopic equipment. Offshore and onshore funds which operate under the brand of Cenova and controlled by Wu Jun has also invested in companies such as ADICON Holdings Limited (a company listed on the Stock Exchange, stock code: 9860), a leading independent clinical laboratory in the PRC; and WeiMai Inc., a leader in artificial intelligence-empowered whole-course healthcare management in the PRC.

Shanghai Cenova is our Sophisticated Investor.

Jihan Investment

Jihan Investment is a limited liability partnership established in the PRC on December 8, 2022, and is primarily engaged in equity investment, investment management and asset management. Jihan Investment is held by its general partner, Jian Jihan Investment Management Co., Ltd. (吉安吉瀚投資管理有限公司), as to approximately 1.64%, and its limited partner, Xiajiang Jihan Industrial Development Industry Fund Partnership (Limited Partnership) (峽江吉瀚工業發展產業基金合夥企業(有限合夥)), as to approximately 98.36%. Jian Jihan Investment Management Co., Ltd. is indirectly held by Jian SASAC and Zhan Zheng (詹政) as to 40.00% and 35.00%, respectively, and is directly held as to 25.00% by Jiangxi Jianghan Investment Management Co., Ltd. (江西江瀚投資管理有限公司), which is in turn indirectly held by Jiangxi SASAC, Chen Yalin (陳雅琳) and Jinggangshan Red Finance Research Association (井岡山市紅色金融研究協會) as to 45.00%, 35.00% and 20.00%, respectively.

Xiajiang County Industrial Park Construction Investment Co., Ltd. (峽江縣工業園區建設投資有限公司), the subscriber of the Convertible Bond, which is ultimately owned by Xiajiang County State-owned Assets Affairs Center (峽江縣國有資產事務中心), is a limited partner of Xiajiang Jihan Industrial Development Industry Fund Partnership (Limited Partnership) and holds 99% of its partnership interest, and is therefore an associate of Jihan Investment.

Detong Hexin

Detong Hexin is a limited liability partnership established in the PRC on June 12, 2017, and is primarily engaged in equity investment, investment management and asset management. Detong Hexin is managed by Detong (Shanghai) Private Equity Fund Management Co., Ltd. (德同(上海)私募基金管理股份有限公司) (**Detong Shanghai**") as fund manager, and held as to 2.50% by its general partner, Tibet Detong Enterprise Management Co., Ltd. (西藏德同企業管理有限公司), which is ultimately controlled by Shao Jun (邵俊). Detong Hexin has 33 limited partners, none of which holds 30% or more of its partnership interest.

Tigermed Investment

Tigermed Investment is a limited liability partnership established in the PRC on April 22, 2016, and is primarily engaged in equity investment, investment management and investment consulting services. Tigermed Investment is held by its general partner, Shanghai Tigermed Medical Consulting Co., Ltd. (上海泰格醫藥科技有限公司) ("**Shanghai Tigermed**"), as to 0.015%, and its limited partner, Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司) ("**Hangzhou Tigermed**"), as to 99.985%. Hangzhou Tigermed is a China-based provider of comprehensive biopharmaceutical R&D services listed on the Stock Exchange (stock code: 3347) and the Shenzhen Stock Exchange (stock code: 300347), and Shanghai Tigermed is wholly owned by Hangzhou Tigermed.

Xinfeng County Development

Xinfeng County Development is a limited liability company established in the PRC on October 24, 2022 and is primarily engaged in equity investment, investment management and asset management. Xinfeng County Development is wholly owned by Xinfeng County Development Holding Group Co., Ltd. (信豐縣發展控股集團有限公司), which is primarily engaged in park operations, construction engineering and other businesses, and is wholly owned by Xinfeng County State-owned Assets Service Center (信豐縣國有資產服務中心).

Xinfeng High-tech Zone Industrial Investment Development Co., Ltd. (信豐高新區工業投資開發有限公司) is a limited partner of Zhenzhuo Pharmaceutical holding 25% of its partnership interest, and Xinfeng High-tech Zone Industrial Investment Development Co., Ltd. is also controlled by Xinfeng County State-owned Assets Service Center.

Orient Yirui

Orient Yirui is a limited liability partnership established in the PRC on August 5, 2016, and is primarily engaged in industrial investment, investment management and investment consulting services. Orient Yirui is held by its general partner, Orient Yirui (Shanghai) Investment Management Co., Ltd. (東方翌睿(上海)投資管理有限公司), as to 0.71%. Orient Yirui has six limited partners, and except for Orient International Group Shanghai Investment Co., Ltd. (東方國際集團上海投資有限公司) which holds approximately 34.01% of its partnership interest, none of the other limited partners holds 30% or more of its partnership interest. Orient Yirui (Shanghai) Investment Management Co., Ltd. was owned by Orient Securities Company Limited (a company listed on the Stock Exchange, stock code: 3958, and Shanghai Stock Exchange, stock code: 600958) as to 51%, and Orient International Group Shanghai Investment Co., Ltd. was indirectly owned by Shanghai SASAC as to approximately 93.32%.

Taikun Investment

Taikun Investment is a limited liability partnership established in the PRC on August 10, 2021, and is primarily engaged in equity investment in areas such as medical appliances, biopharmacy, medical services and healthcare information technology. Taikun Investment also invests in equity investment and venture capital funds in healthcare industry. Taikun Investment is held by its general partner, Hangzhou Tailong Venture Capital Partnership Enterprise (Limited Partnership) (杭州泰瓏創業投資合夥企業(有限合夥)) ("**Hangzhou Tailong**"), as to 1.00%. Hangzhou Tailong is held by its general partner, Zhaotai (Zibo) Venture Capital Management Partnership Enterprise (Limited Partnership) (昭泰(淄博)創業投資管理合夥企業(有限合夥)) ("**Zhaotai Zibo**"), as to 1.00%, and its only limited partner, Tigermed Investment, as to 99.00%. Zhaotai Zibo is held by its general partner, Liu Chunguang (劉春光), as to 99.00%. Taikun Investment has three limited partners, and except for Tigermed Investment who holds 49.00% of its partnership interest, none of the other limited partners holds 30% or more of Taikun Investment's partnership interests.

For the background of Tigermed Investment, see "— Tigermed Investment."

The power to make investment decisions of Taikun Investment vests with Hangzhou Tailong, and the power to make investment decisions of Hangzhou Tailong vests with Zhaotai Zibo. Zhaotai Zibo is controlled by an individual which is not a connected person of Tigermed, whilst power to make investment decisions of Tigermed Investment vests with Shanghai Tigermed. Hence, Tigermed Investment and Taikun Investment are not under the same control.

Efung Ruiyi

Efung Ruiyi is a limited liability partnership established in the PRC on April 1, 2016, and is primarily engaged in equity investment, investment consulting and management consulting businesses. Efung Ruiyi is held by its general partner, Shenzhen Efung Investment Management Enterprise (Limited Partnership) (深圳市倚鋒投資管理企業(有限合夥)) ("**Shenzhen Efung**"), as to 0.50%. Shenzhen Efung is controlled by Shenzhen Efung Holdings Group Co., Ltd. (深圳市倚鋒控股集團有限公司), which is in turn held by Zhu Jinqiao (朱晉橋) as to 54.00%. Efung Ruiyi has 40 limited partners, none of which holds 30% or more of its partnership interest.

[**REDACTED**]

Our Company has applied for [**REDACTED**] to convert certain Unlisted Shares into H Shares after the [**REDACTED**]. The conversion of Unlisted Shares into H Shares will involve an aggregate of [**REDACTED**] Unlisted Shares, representing approximately [**REDACTED**]% of total issued share capital of the Company as of the Latest Practicable Date.

The table below is a summary of the [**REDACTED**] of our Company as of the Latest Practicable Date and immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):

	As of the Latest Practicable Date		Immediately upon Completion of the [REDACTED]		
Shareholders	**Number of Unlisted Shares Held**	**Approximate % of shareholding**	**Number of Unlisted Shares Held**	**Number of H Shares Held**	**Approximate % of shareholding**
Non-public Shareholders					
Controlling Shareholders[1]					
– Ganzhou Hesheng	84,502,685	21.29%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
– Hong Kong Hemay	84,502,685	21.29%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
– Ganzhou Heyi	15,566,325	3.92%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Zhenzhuo Investment[2]					
– Zhenzhuo Pharmaceutical	41,228,409	10.39%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
– Zhenzhuo Xinqi	8,783,941	2.21%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Truman	34,122,212	8.60%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Public Shareholders					
Shanghai Hongfu[3]					
– Aile Zhide	23,258,182	5.86%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
– Xiade Investment	4,407,266	1.11%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
– Yide Investment	1,971,701	0.50%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
– Linde Investment	1,739,713	0.44%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
High Estate	22,304,033	5.62%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Shanghai Cenova	16,892,397	4.26%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Gansu Xinglong	9,926,262	2.50%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Controlled by government bodies situated in Jiangxi province					
– Xinfeng County Development	7,558,349	1.90%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
– Jihan Investment	6,958,852	1.75%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Detong Hexin	6,756,863	1.70%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Tigermed Investment	6,689,233	1.69%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Orient Yirui	5,405,496	1.36%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Taikun Investment	3,479,426	0.88%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Anxin Guosheng	3,479,426	0.88%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Efung Ruiyi	3,040,604	0.77%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Dongneng Jiayuan	1,636,364	0.41%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Anhui Jinrui	1,623,268	0.41%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Ganzhou Talent Fund	1,012,884	0.26%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**] taking part in the [**REDACTED**]	–	–	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	**396,846,576**	**100.00%**	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) Being entities controlled by Dr. Zhang and Ms. Guo, who are in a spousal relationship and acting-in-concert parties. See "Relationship with our Controlling Shareholders" for details.

(2) See "— [**REDACTED**] Investments — Information about our [**REDACTED**] Investors — Zhenzhuo Pharmaceutical and Zhenzhuo Xinqi" for details.

(3) See "— [**REDACTED**] Investments — Information about our [**REDACTED**] Investors — Aile Zhide" for details.

[**REDACTED**]

The [**REDACTED**] Shares held by our Shareholders as of the Latest Practicable Date, representing approximately [**REDACTED**]% of our total issued Shares following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), will not be counted towards the [**REDACTED**] as these Shares are Unlisted Shares which will not be converted into H Shares and [**REDACTED**] upon completion of the [**REDACTED**].

Upon completion of the [**REDACTED**], the [**REDACTED**] H Shares held by (a) our Controlling Shareholders; (b) Zhenzhuo Pharmaceutical and Zhenzhuo Xinqi, being our substantial Shareholders and (c) Truman, an associate of Mr. Zhuang and together with Zhenzhuo Pharmaceutial, another associate of Mr. Zhuang in aggregate held over 10% of our Shares, representing approximately [**REDACTED**]% of our total issued Shares following completion of the [**REDACTED**] will not be counted towards the [**REDACTED**]. Except as stated above, all H Shares held by our Shareholders upon [**REDACTED**] will be counted towards the [**REDACTED**] for the purpose of Rule 8.08 of the Listing Rules.

With respect to the indicative [**REDACTED**] range of HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**] (being the low-end, mid-point and the upper-end of the [**REDACTED**], respectively), the expected market [**REDACTED**] of our total shares in [**REDACTED**] at the time of [**REDACTED**] will be approximately HK$[**REDACTED**] billion, HK$[**REDACTED**] billion and HK$[**REDACTED**] billion, respectively.

Assuming (i) [**REDACTED**] H Shares are [**REDACTED**] to [**REDACTED**] in the [**REDACTED**]; and (ii) the conversion of [**REDACTED**] Unlisted Shares into H Shares, immediately upon completion of the [**REDACTED**], an aggregate of [**REDACTED**] H Shares or approximately [**REDACTED**]% of our total issued share capital will be counted towards the [**REDACTED**], and the market value of Shares held by the public would be HK$[**REDACTED**] billion at the minimum [**REDACTED**], which exceeds the higher of (i) [**REDACTED**]% of the total issued Shares and (ii) such percentage of the total issued Shares as would result in the expected market value of the H Shares held by the public being at least HK$[**REDACTED**] billion upon [**REDACTED**], representing the prescribed percentage of H Shares required to be held in public hands under 19A.13A(1) of the Listing Rules. Therefore, our Company will be able to meet the minimum [**REDACTED**] requirement under Rule 19A.13A(1) of the Listing Rules.

[**REDACTED**]

It is expected that immediately following completion of the [**REDACTED**], a market value of approximately HK$[**REDACTED**] million of our H Shares [**REDACTED**] on the Stock Exchange, based on the minimum [**REDACTED**] of HK$[**REDACTED**] per Share, are held by the public and not subject to any disposal restrictions at the time of the [**REDACTED**]. Accordingly, our Company will be able to satisfy the [**REDACTED**] requirement under Rule 19A.13C(1) of the Listing Rules.

PREVIOUS LISTING ATTEMPT

To explore the opportunity of establishing a capital market platform in the A-share market in the PRC, on April 21, 2023, our Company entered into a guidance agreement with Essence Securities Co., Ltd. (安信證券股份有限公司) (now known as SDIC Securities Co., Ltd. (國投證券股份有限公司)), (the "**Guidance Agency**"), which is within the same group as the Sole Sponsor, to provide guidance and preliminary compliance advice in regards to the requirements of the CSRC (the "**A-share Listing Guidance**").

The Guidance Agency made a preliminary A-share listing guidance filing (上市輔導備案申請) with the Jiangxi office of CSRC (中國證監會江西監管局) in April 2023 which did not constitute a listing application with the CSRC (the "**A Share Listing Attempt**").

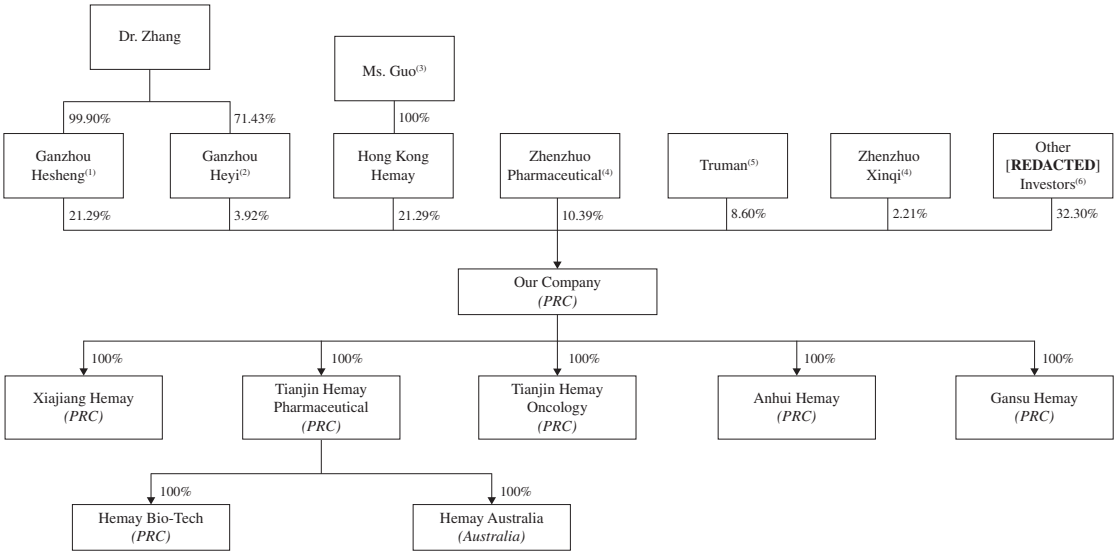
In August 2023, the Guidance Agency submitted the pre-filing business consultation and communication written documents (申報前業務諮詢溝通書面文件). We did not submit any formal application for listing on the SSE STAR Market or any stock exchange in the PRC, and between April 2023 to April 2025, guidance progress reports were submitted to CSRC quarterly. Save for the above, we did not have any material communication with the Jiangxi office of CSRC. We terminated the guidance agreement in May 2025 during the course of our preparation for the [**REDACTED**] as we believe that the [**REDACTED**] will be beneficial to us in view of the well-established market reputation of the Stock Exchange allowing us explore financing opportunities in the international market.

Our Directors have confirmed that (i) the CSRC did not raise any questions or comments in respect of the A Share Listing Attempt (including the A-share Listing Guidance); (ii) there was no dispute between our Company and the Guidance Agency or any of the professional parties involved in the A Share Listing Attempt; and (iii) there is no other material matter in relation to the A Share Listing Attempt (including the A-share Listing Guidance) that needs to be brought to the attention of the Stock Exchange.

Based on the above and the Sole Sponsor's due diligence work performed, the Sole Sponsor is not aware of any material matter in relation to the A Share Listing Attempt (including the A-share Listing Guidance) which ought to be brought to the attention of the Stock Exchange.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart illustrates the corporate structure of our Group immediately prior to completion of the [**REDACTED**]:



Notes:

(1) Dr. Zhang is the general partner of Ganzhou Hesheng, and was also interested in 99.90% of Ganzhou Hesheng's partnership interest. Hence, Dr. Zhang is able to exercise the voting rights of Shares held by Ganzhou Hesheng. Dr. Zhang is the chairman of our Board, our executive Director and general manager. The remaining partnership interest of Ganzhou Hesheng was held by Zhang Yumei (張玉梅), being Dr. Zhang's niece and Mr. Chen's spouse.

(2) Ganzhou Heyi was our employee shareholding platform controlled by its general partner, Dr. Zhang who was also interested in approximately 71.43% of Ganzhou Heyi's partnership interest. Hence, Dr. Zhang is able to exercise the voting rights of Shares held by Ganzhou Heyi. Mr. Chen (our executive Director) and Zhang Yumei was also interested in 7.14% and 7.14% of Ganzhou Heyi's partnership interest, respectively. 14.28% of Ganzhou Heyi's partnership interest was held by two individuals, each an Independent Third Party. See "— Employee Shareholding Platform" for details.

(3) Ms. Guo is the spouse of Dr. Zhang. Ms. Guo is the sole shareholder of Prime Honor, which holds the entire equity interest of Hemay Holding. Hemay Holding is the sole shareholder of Hemay Investment, which holds the entire equity interest of Hong Kong Hemay.

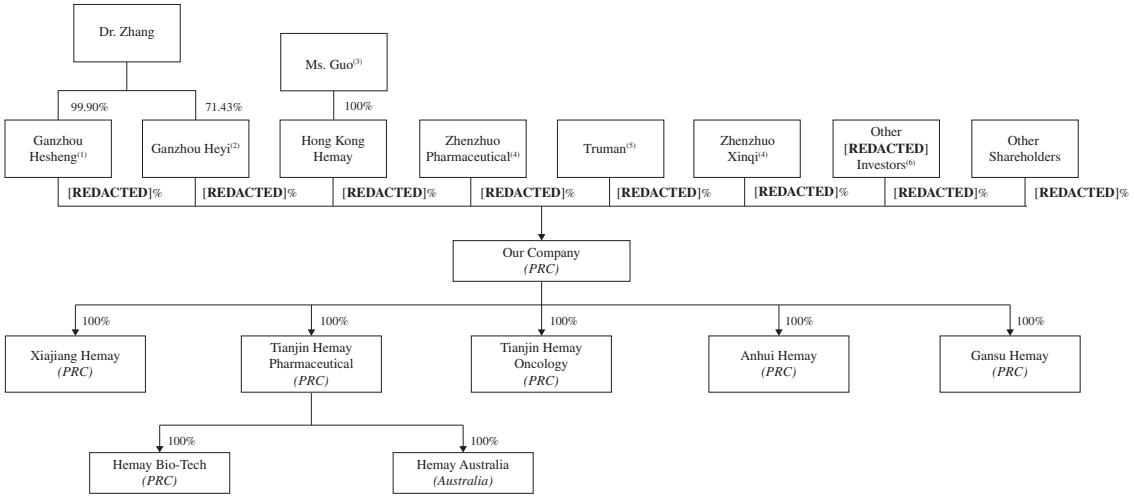
(4) Each of Zhenzhuo Pharmaceutical and Zhenzhuo Xinqi was managed by Zhenzhuo Investment as its executive partner and general partner. Mr. Zhuang is a limited partner of Zhenzhuo Hongzhi and was interested in approximately 99.90% of its partnership interest. Zhenzhuo Hongzhi was also a general partner of Zhenzhuo Pharmaceutical, and

Xie Conglin (謝聰琳) (the nephew of Ms. Guo) and Zhang Bing (an Independent Third Party) were also general partners of Zhenzhuo Xinqi. For details of Zhenzhuo Pharmaceutical and Zhenzhuo Xinqi's background, see "— [**REDACTED**] Investments — Background of our [**REDACTED**] Investors."

(5) Truman is an associate of Zhenzhuo Pharmaceutical as a family member of Truman's ultimate beneficial owner was interested in Zhenzhuo Hongzhi, a general partner of Zhenzhuo Pharmaceutical.

(6) Such other [**REDACTED**] Investors include 18 Shareholders, which are Independent Third Parties. For details of their background and shareholding, see "— [**REDACTED**] Investments — Background of our [**REDACTED**] Investors" and "— Capitilization."

The following chart illustrates the corporate structure of our Group immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Notes (1) to (6): See notes 1-6 in "— Corporate Structure Immediately Before Completion of the [**REDACTED**]."

OVERVIEW

We are a biopharmaceutical company dedicated to the discovery and development of small-molecule drugs of autoimmune diseases and oncology, and have established expertise in developing treatments of Ps, BD and IBD and chemical therapy.

As of the Latest Practicable Date, we have developed a product pipeline comprising seven small molecule drug candidates, covering a wide variety of indications associated with unmet medical needs. These include three autoimmune drug candidates and four oncology drug candidates. As of the Latest Practicable Date, we had one NDA approved drug and three drug candidates that entered Phase II or III clinical trial stage, covering a total of nine indications. Below sets forth the summary of our Core Products and key products.

- **Mufemilast.** Our Core Product, Mufemilast is a small-molecule Phosphodiesterase 4B, or PDE4B, protein expression blocker and PDE4 inhibitor with broad therapeutic potential for autoimmune diseases. In September 2025, the NMPA approved the NDA for Mufemilast for the treatment of moderate to severe plaque Ps. According to F&S, Mufemilast is a globally agent with a dual mechanism of action: it both blocks the expression of the PDE4B protein and inhibits PDE4 activity. Mufemilast does not cause vasculitis nor does it readily cross the blood-brain barrier, thereby reducing central nervous system side effects such as depression and suicidal tendencies. As of the Latest Practicable Date, Mufemilast is also the only drug that can be directly administered to psoriasis patients with latent tuberculosis infection with safety supported by a Phase III clinical trial. In parallel, we have been actively evaluating and developing additional indications to further expand the therapeutic potential of Mufemilast. We have completed the Phase II clinical trials for AS. We are currently conducting a pivotal Phase III clinical trial for BD, as well as Phase II clinical trials for UC, COPD and AD. In addition, we are preparing to initiate a pivotal Phase II/III adaptive clinical trial for PsA. For CD, we plan to commence Phase II clinical trials in China, with first patient enrolment expected in 2026. We have obtained orphan drug designation in the United States from the FDA for BD. Furthermore, we have completed a bridging Phase I study in Australia.

- **Hemay022.** Our Core Product, Hemay022 is a EGFR/HER2 dual-target small-molecule inhibitor which aims to treat advanced ER+/HER2+ breast cancer. Hemay022 exerts its effects by forming irreversible covalent bonds with EGFR and HER2, thereby inhibiting the signal transduction of the PI3K/Akt and MAPK pathways. Hemay022, when used in combination with aromatase inhibitors, exerts its anti-tumor effects by inhibiting the abnormal activation of HER2 and EGFR while simultaneously reducing estrogen secretion. In addition, in ER+/HER2+ breast cancer patients, combining Hemay022 with endocrine therapy helps delay the development of acquired resistance. As of the Latest Practicable Date, we were conducting a Phase III combination therapy clinical trial targeting advanced ER+/HER2+ breast cancer.

- **Hemay007.** Our key product, Hemay007 is screened from a compound library directed by multiple pharmacological functional substructures and is a TNF-α small molecule regulator. In the spontaneous UC monkey model, Hemay007 reduced the number of ulcers in the colons of the diseased monkeys, and pathological examinations of the intestines after treatment revealed that the colon tissue almost returned to a normal state. As of the Latest Practicable Date, we had completed the Phase II clinical trial for monotherapy for UC. We plan to prioritize the development of clinical trials of Mufemilast due to our limited financial resources. Thus, the issuance of clinical trial report of phase II for RA will be paused as of the Latest Practicable Date.

- **Hemay808.** Our key product, Hemay808 is a molecular entity which targets IgE and PDE4. Through topical administration, this compound maintains an effective therapeutic concentration in target tissues while reducing systemic exposure and potential toxicity risks, achieving an optimized balance between efficacy and safety. As of the Latest Practicable Date, we had completed Phase IIa clinical trial for AD in China. We plan to start Phase IIb clinical trial in China by second half of 2026, pending receipt of [**REDACTED**] from the [**REDACTED**].

- **Hemay181.** Our key product, Hemay181 is a potential first in class Topoisomerase I target SDC drug with a mechanism of action. It is the first clinical-stage SDC drug globally that is activated by β-GU in the tumor microenvironment, offering broad-spectrum anti-tumor potential. After administration, Hemay181 demonstrated a metabolic stability during systemic circulation. Upon reaching the tumor site, β-GU cleaves Hemay181 to release the cytotoxic drug SN38, which offers enrichment of SN38 in tumor tissue, leading to therapeutic advantages. As of the Latest Practicable Date, we were conducting Phase I clinical trial for Hemay181 in China and we have received a FDA approval for Phase I clinical trial in the U.S. in June 2023. As of the Latest Practicable Date, we have initiated a Phase Ib to evaluate the antitumor efficacy of Hemay181 in patients with advanced solid tumors and to evaluate the safety of Hemay181 in patients with advanced solid tumors.

As of the Latest Practicable Date, we owned 9 issued patents in China, 16 issued patents in the U.S. 62 issued patents in other jurisdictions and 66 patent applications in China, the U.S. and other jurisdictions in relation to our Core Products and key products and the technologies of our four technology platforms.

China's Ps drug market size reached RMB18.2 billion in 2024, with a CAGR of 30.5% from 2019 to 2024. The market size will climb to RMB48.3 billion in 2028 and RMB87.1 billion in 2032, with a CAGR of 27.6% from 2024 to 2028 and 15.9% from 2028 to 2032. The size of China's UC drug market increased from from RMB1.1 billion in 2019 to RMB1.7 billion in 2024, with the CAGR of 9.4% from 2019 to 2024. It is estimated to grow to RMB2.2 billion in 2028 and reach RMB2.5 billion by 2032, with the CAGR of 5.7% from 2024 to 2028 and a CAGR of 3.5% from 2028 to 2032. According to Frost & Sullivan, currently, China oncology market is dominant by chemotherapy drugs, which accounts for 46.5% of the total market share. Targeted drugs, including small-molecule targeted drugs and biologics, account for 42.2% of the total market share, while the remaining 11.3% corresponds to immuno-oncology therapy in 2024. Ps market includes (1) psoriasis vulgaris (2) pustular psoriasis (3) erythrodermic psoriasis and (4) PsA. Psoriasis vulgaris includes guttate psoriasis and plaque psoriasis.

We have two manufacturing facilities, Xiajiang Facility and Ganzhou Facility. Our Xiajiang facility is responsible for process development and production of APIs and key intermediates. The facility covers an area of over 46,000 sq.m and with 63 employees as of December 31, 2025. It is equipped with three production lines, with a designed production capacity of approximately 5.8 tons of APIs and key intermediates per annum, of which approximately 1.4 tons per annum are currently operational as of the Latest Practicable Date. Our Ganzhou Manufacturing Facility specializes in process development and manufacturing of drug products. The facility covers an area over 27,000 sq.m with 68 employees as of December 31, 2025. It is equipped with three production lines capable of manufacturing various dosage forms, including tablets and ointments, with a designed production capacity of 115 million tablets and 10 million ointments per annum. These two facilities have been inspected by NMPA for the NDA of Mufemilast and passed production review, which paved way for commercialization of Mufemilast.

OUR COMPETITIVE STRENGTHS

Our key competitive strengths include:

Focus on Treatments for Autoimmune Diseases and Oncology, which Offer Significant Market Potential

Mufemilast

Mufemilast is a small-molecule targeted drug candidate featuring dual mechanisms of PDE4B protein expression blocker and PDE4 inhibitor characterized by its high-potency to block pathogen-induced overexpression of PDE4B (EC50:8.3nM) and relatively weak PDE4B inhibiting potency (IC50: 120nM). This dual mechanism potentially leads to low side effects and better therapeutic effects compared to PDE4 inhibitor alone. Its mechanism of action and clinical trial have demonstrated potent and safe immunomodulatory effects, characterized by no increased risk of depression or suicidal ideation, high safety profile in patients with latent tuberculosis infection, or LTBI, and no induction of vasculitis. These attributes position Mufemilast favorably compared to other PDE4 inhibitors.

Mufemilast is a Potential Promising Candidate Addressing a Ten-billion-Level Market

Mufemilast, with its dual mechanism, precisely modulates immune-inflammatory pathways, exhibiting promising therapeutic potential across various autoimmune diseases. Compared to existing therapies, Mufemilast potentially offers superior efficacy in symptom relief and effective control of disease progression.

In a head-to-head repeated-dose toxicity assessment in cynomolgus monkeys, when both were administered at a dose of 50 mg/kg, the exposure level of Mufemilast was eight times that of Apremilast, while the toxic effects observed in both groups of monkeys (clinical observations/gross necropsy) were comparable. This suggests that the therapeutic index, or TI, of Mufemilast may be much higher than that of Apremilast. Similar results were observed in Phase I clinical studies (non-head-to-head) conducted in healthy subjects.

Leveraging the central role of the PDE4 target in the Th17/Treg cell balance and NF-κB signaling pathway, coupled with its unique molecular characteristics, Mufemilast may address a broad spectrum of significant autoimmune diseases, including IBD, Ps, BD, and COPD.

According to F&S, the autoimmune disease patient population in China has exceeded 80 million individuals, China's autoimmune disease drug market increased from USD2.4 billion to USD4.6 billion with a CAGR of 14.2% from 2019 to 2024. The number is projected to reach USD12.1 billion in 2028 and USD26.3 billion in 2032 with a CAGR of 27.6% from 2024 to 2028 and 21.4% from 2028 to 2032. In China, the combined patient populations for plaque Ps, BD, and UC exceed 6.7 million individuals in 2024, representing a market opportunity exceeding RMB20 billion in 2024. Our phase III clinical trial of moderate to severe plaque Ps demonstrated Mufemilast's potential to address these patients' needs on safety and efficacy.

Currently, significant unmet clinical needs persist in the autoimmune therapeutic landscape, including low response rates and long-term safety risks associated with traditional therapies, high cost, and administration inconvenience of biologics, and a lack of effective treatment options for certain autoimmune conditions. With its oral administration convenience, clinically validated durable efficacy, and favorable safety profile, Mufemilast is well-positioned to become a transformative therapy in autoimmune diseases such as Ps and IBD. Given the substantial market opportunity, upon obtaining regulatory approval for our lead indication of psoriasis, we plan to rapidly expand into other high-value indications such as BD and UC, thereby establishing differentiated competitive advantages.

We believe Mufemilast has significant potential to rapidly generate revenues in the near term, with high visibility and certainty. Mufemilast is well-positioned to emerge as a leading candidate in the competitive autoimmune treatment landscape, potentially becoming a high-value therapeutic asset and delivering substantial returns to us.

Demonstrated Encouraging Clinical Efficacy Across Multiple Indications, Potentially Addressing Unmet Medical Needs in Autoimmune Diseases

Mufemilast has demonstrated encouraging therapeutic efficacy across multiple indications, highlighting its differentiated clinical value and potential to address significant unmet medical needs in autoimmune disorders.

- **Ps**: According to Frost & Sullivan, China's Ps drug market size reached RMB18.2 billion in 2024, with a CAGR of 30.5% from 2019 to 2024. The market size will climb to RMB48.3 billion in 2028 and RMB87.1 billion in 2032, with a CAGR of 27.6% from 2024 to 2028 and 15.9% from 2028 to 2032. It is characterized by recurrent episodes, difficulty in achieving a complete cure, and frequent association with other systemic comorbidities. Based on the results of our completed Phase III pivotal clinical trial for Ps, Mufemilast demonstrated significant clinical efficacy. PASI-75 and PASI-90 ratio at Week 16, 32 and 52 demonstrated its long-term clinical benefit. The detailed results are set forth below:

		Mufemilast (60mg BID)
		Phase III
Week 16	PASI-75	53.6%
	PASI-90	32.5%
Week 32	PASI-75	56.4%
	PASI-90	28.9%
Week 52	PASI-75	47.9%
	PASI-90	25.1%

- **BD**: As of the Latest Practicable Date, Mufemilast is the first drug candidate in China that has been conducting phase III clinical trial for BD. According to the clinical trial result of our completed Phase II clinical trial of Mufemilast in BD, both the 45 mg BID and 60 mg BID treatment groups demonstrated excellent clinical efficacy compared with apremilast.

  Results of Phase II clinical trial for BD are presented below:

	Mufemilast		Apremilast
	Week 12		Week 12
ANCOVA	45 mg BID	60 mg BID	30 mg BID
AUC	103.9±18.81	66.1±17.74	129.5±15.9
Difference in AUC compared to the placebo group	-104.8	-142.5	-92.6
Least squares mean difference (standard error) against the placebo group	-104.8 (25.91)	-142.5 (25.07)	N/A
P	P<0.0001	P<0.0001	P<0.001

1 ANCOVA refers to Analysis of Covariance, a statistical model incorporating treatment group and subject gender as fixed-effect variables, and baseline oral ulcer count as a covariate, to calculate statistical parameters.

2 Clinical data for apremilast referenced herein are derived from *N Engl J Med. 2019 Nov 14;381(20) :1918-1928*.

3 AUC (Area Under the Curve) data are presented as least squares mean ± standard error or as least squares mean (95% confidence interval).

We have submitted a Pre-IND application to the FDA in July 2023. The submission aims to reach FDA consensus on the protocol for a planned international multi-regional clinical trial, leveraging the ongoing Phase III study in China. We intend to utilize BD as a breakthrough indication to facilitate Mufemilast's entry into the U.S. market. As of the Latest Practicable Date, Mufemilast has been granted Orphan Drug Designation by the FDA for the treatment of BD.

- **UC**: UC has been recognized by the World Health Organization as one of the challenging diseases of modern medicine, characterized by complex and prolonged disease progression, difficulty in achieving complete remission, frequent recurrence, and a high potential for malignant transformation. Current conventional therapies offer limited efficacy in mucosal healing and fail to maintain long-term therapeutic effects, while biologic agents exhibit insufficient response rates and limited improvements in patient prognosis. Consequently, many patients ultimately require surgical resection of the affected intestinal segments. Thus, existing treatments have significant unmet needs in achieving mucosal healing and sustained remission. As of the Latest Practicable Date, we were conducting Phase II clinical trial in UC. We are preparing to initiate Phase III clinical trial in June 2026.

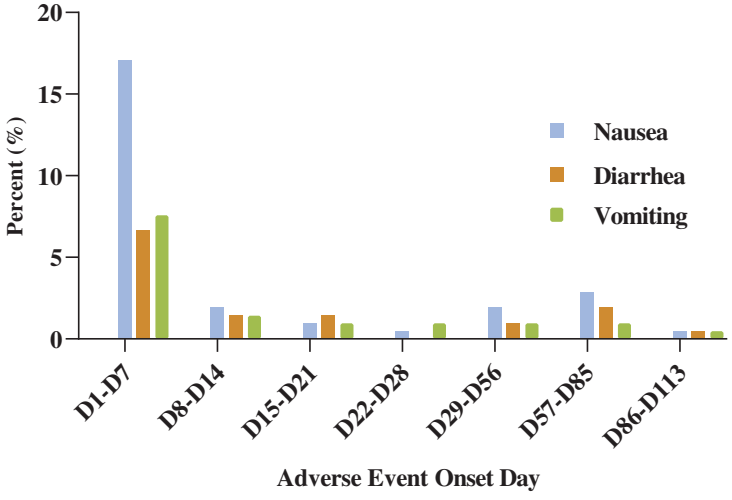
Superior Safety Profile Supporting Long-term Use Without Increased Risk of Depression or Suicide; Clinically Supported Safety in Ps Patients with Latent Tuberculosis Infection

In the Mufemilast tissue distribution study, radioactivity was primarily localized in metabolic and excretory organs such as the gastrointestinal tract, liver, and kidneys. No radioactivity was detected in the brain following a single oral gavage administration of Mufemilast at a dose of 15 mg/100 μCi/kg to male Long-Evans (LE) rats at all testing point within a 168 hours observation period, indicating that Mufemilast and/or its metabolites do not cross the blood-brain barrier. According to the results of our completed Phase II and Phase III clinical trials for Ps, Mufemilast demonstrated favorable safety and tolerability profiles. Mufemilast exhibited a low incidence of adverse events, with no observed increased risk of depression or suicidal ideation. HADS was used to assessing depressive adverse events in tis clincial trial. At weeks 16, there were no statistically significant differences between the Mufemilast and placebo groups in mean HADS anxiety or depression scores. During both the core and open-label extension treatment periods of phase III clinical trial of Ps, the majority of TEAE were of Grade 1 or 2 severity. The most common adverse reactions associated with Mufemilast were nausea, diarrhea, vomiting, headache, dizziness, and increased frequency of defecation. Most adverse events occurred during the first week of administration with low occurrence of adverse events in the subsequent weeks. This showed that Mufemilast's safety in a long-term dosage. Mufemilast is currently the only drug supported by clinical data demonstrating safety in psoriasis patients with LTBI.

		Mufemilast (60mg BID) (36 week Core Period) Phase III	Apremilast (30mg 16 weeks)
Safety	Diarrhea	14.7%	31.0%
	Nausea	24.2%	22.0%
	Headache	10.0%	12.0%
	Depression	None	1.3%
	Suicidal ideation	None	One attempt

1 Clinical data for apremilast referenced herein are derived from *N Engl J Med. 2019 Nov 14;381(20):1918-1928*.

Below sets forth the reported nausea, diarrhea and vomiting for the phase III clinical trial for Ps of Mufemilast:



Autoimmune diseases face multiple challenges in clinical treatment, and Mufemilast effectively addresses the unmet needs of current therapeutic options, offering strong competitive advantages:

- *No Increased Risk of Depression or Suicide*: Autoimmune disease patients often experience a complex interplay between disease progression and mental health disorders (particularly depression and suicidal tendencies), which exacerbates their condition. Approximately 10% of psoriasis patients from the general population suffer from clinical depression. We paid particular attention to the potential risks of Mufemilast inducing depression or suicidal tendencies. Our phase III clinical trial in Ps conducted a 56-week evaluation of depression scales for all trial participants. No evidence was observed to suggest that Mufemilast induces depression or suicidal tendencies.

- *Good Safety Profile for Patients with LTBI*: According to the F&S, it is estimated that there were approximately 238 million individuals aged 15 and above with LTBI in China in 2024. According to F&S, the number of psoriasis patients who tested positive for TB in 2024 is approximately 0.6 million. For autoimmune disease patients, commonly used systemic therapies, such as methotrexate, cyclosporine, JAK inhibitors, and biologics, have immunosuppressive effects. These treatments may reactivate dormant mycobacterium tuberculosis during use. Biologics such as Ada limumab and infliximab include Mycobacterium tuberculosis warning in their product labels. Patients must undergo tuberculosis screening before and during treatment, and active tuberculosis patients are contraindicated from using these therapies. Patients with LTBI are required to undergo preventive anti-tuberculosis treatment before initiating these medications. In the Phase III clinical trial of Mufemilast for Ps, 105 patients with LTBI positive were enrolled. After 52 weeks of treatment, none of these patients developed active tuberculosis. This clinical result indicates that Mufemilast demonstrated a high safety profile for psoriasis patients with LTBI, with minimal risk of triggering active tuberculosis. As development progresses across multiple autoimmune disease indications, Mufemilast is expected to provide a viable treatment option for patients with autoimmune diseases and LTBI, addressing the challenges of drug use in this patient population. We believe that Mufemilast offers a safer therapeutic option for LTBI patients compared to TNF-α inhibitors and JAK inhibitors.

- *No Risk of Vasculitis*: One of the major and severe immune-related adverse events in the treatment of autoimmune diseases is drug-induced vasculitis, which has been observed with TNF-α inhibitors and JAK inhibitors. In the cynomolgus monkey chronic study, vasculitis was only ever associated with significant areas of inflammation and was only seen in two cynomolgus monkeys. In the Sprague Dawley rat chronic study of Mufemilast, vasculitis was not observed in any of the rats that were examined. Drug-induced vasculitis is an inflammation of blood vessels caused by the use of various pharmaceutical agents. Vasculitis causes changes in the walls of blood vessels, including thickening, weakening, narrowing and scarring. Inflammation can be short-term or long-term and can be so severe that the tissues and organs supplied by the affected vessels do not get enough blood. The shortage of blood can result in organ and tissue damage, even death. Drug-induced vasculitis is the most common form of vasculitis. We believe that Mufemilast does not increase the risk of vasculitis in the treatment of autoimmune diseases, thereby reducing the likelihood of vascular damage and improving patient outcomes.

Based on the clinical efficacy and safety profile demonstrated by Mufemilast across multiple disease clinical trials, particularly its safety in patients with LTBI, the NMPA was granted Mufemilast priority review status during its NDA submission process. In September 2025, the NMPA approved the NDA for Mufemilast for the treatment of moderate to severe plaque Ps.

Hemay022

Hemay022 is an EGFR/HER2 dual-target small molecule inhibitor with global intellectual property rights. Based on the results of our completed Phase Ib clinical trial, Hemay022 in combination with endocrine therapy demonstrated significant clinical benefits for patients with advanced HER2+/ER+ breast cancer. We are currently conducting a Phase III clinical trial of

Hemay022 in combination with endocrine therapy for the treatment of advanced HER2+/ER+ breast cancer. We believe that this combination therapy has the potential to provide a more precise treatment option and greater clinical benefits for HER2+/ER+ breast cancer patients.

According to F&S, the number of newly diagnosed breast cancer cases in China has been increasing annually. The number of new breast cancer cases in China increased from 330,300 in 2019 to 372,700 in 2024 and is expected to rise to 390,800 in 2028 and to 402,400 by 2032. The breast cancer drug market in China is estimated to increase from US$ 6.5 billion in 2019 to US$9.5 billion in 2024, with a CAGR of 7.8%. In the future, the China breast cancer drug market will further increase to US$13.5 billion in 2028 and US$18.5 billion in 2032, with a CAGR of 9.3% from 2024 to 2028 and 8.1% from 2024 to 2032. In our completed Phase Ib clinical trial, the objective response rate among 55 evaluable participants across six groups was 29.1%, the clinical benefit rate reached 56.4%, and the mPFS was 9.0 months. Among 44 participants across four groups receiving Hemay022 at doses of 400 mg or higher in combination therapy, the ORR was 31.8%, the CBR was 61.4%, and the mPFS remained at 9.0 months. Based on the data from our Phase Ib trial, NMPA has approved Hemay022 to proceed directly into Phase III clinical trials. We were currently conducting a randomized, open-label, controlled, multi-center Phase III clinical trial of Hemay022 in combination with endocrine therapy for advanced HER2+/ER+ breast cancer.

Technology Platform for Small Molecule Drug Development

Our comprehensive technology platform for small molecule drug development has enabled the creation of tumor microenvironment-activated conjugated drugs and continues to drive the expansion of our product pipeline. We focus on leveraging technology platforms to drive new product development by deeply exploring mechanisms of drug action and establishing efficient drug screening and evaluation systems. Our R&D platforms and core technologies include multiple pharmacological targeted modular compound library construction platform, pathogen-driven biomarker animal model efficient screening platform, tumor microenvironment-activated substructure combination chemotherapy Sugar-based Drug Conjugates, or SDC, drug design platform and differentiated clinical design platform, enabling drug development. These platforms support the identification of drug candidates with mechanisms of action.

Our tumor microenvironment-activated substructure combination SDC conjugated drug design platform is based on an in-depth study of tumor microenvironment regulatory mechanisms and identifies pro-tumor sugar-bio chemistry to release the drug. It identifies key mechanisms that influence drug release and activity, designing drugs as modular structures composed of subunits. These subunits are connected via linkers and serve distinct functional roles, such as targeting ligands, pharmacokinetic (PK) regulation groups, payloads, and linkers. For different tumor types and mechanisms of action, we design and combine these subunits accordingly. One of our discovery under this platform is our conjugated drug candidates.

Our conjugated drugs are tumor microenvironment-activated, glycosylation-based conjugates with cytotoxic drugs as payloads, referred to as SDCs. Compared to Antibody-Drug Conjugates, or ADCs, SDCs offer advantages such as higher tumor enrichment efficiency, overall applicability to solid tumors, and lower immunogenicity:

- Higher Tumor Enrichment Efficiency: ADC drugs rely on recognizing specific antigens on tumor cell surfaces and entering cells through endocytosis to release cytotoxic drugs. As a result, antigen expression levels and endocytosis efficiency impact ADC drug efficacy. In contrast, SDCs utilize unique enzymatic cleavage properties, enabling extracellular release of cytotoxic drugs within the tumor microenvironment. SDCs also exhibit superior tumor metabolic stability, increasing the proportion of effective payloads in tumors. Based on our studies, Hemay181 has good tumor enrichment capacity.

Below sets forth the data of Irinotecan, IMMU-132 (Trodelvy, Sacituzumab govitecan) and Hemay181:

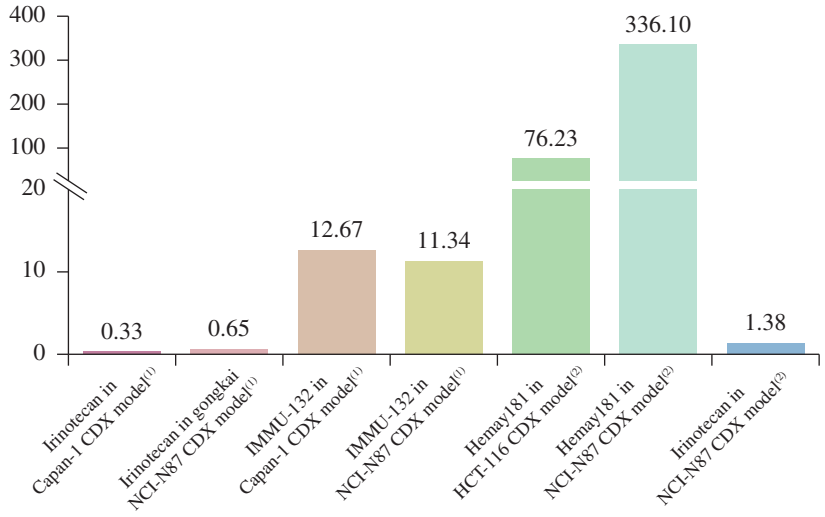
Drug	Tumor	Dose (mg/kg)	SN-38 Equivalent Dose (mg/kg)	AUC of SN-38 in Serum (μg/mL•h)	AUC of SN-38 in Tumor (μg/g•h)	Tumor/Serum SN-38 AUC Ratio
Irinotecan[(1)]	Pancreatic cancer Capan-1	40	23.2	3.27	1.09	0.33
	Gastric cancer NCI-N87	40	23.2		2.11	0.65
IMMU-132[(1)] (Trop-2 ADC)	Pancreatic cancer Capan-1	1.0 mg	16 μg	3.87	49.02	12.67
	Gastric cancer NCI-N87	1.0 mg	16 μg		43.88	11.34
Hemay181[(2)]	Colon cancer HCT-116	15	4.0	3.1	236.3	76.23
Hemay181[(2)]	Gastric cancer NCI-N87	15	4.0	0.8	268.9	336.1
伊立替康[(2)]		40	23.2	2.1	2.9	1.38

Source:

1 a paper published in 2015;

2 Hemay181 data were derived from our laboratory.

Tumor/serum ratio of SN-38



(1) Data derived the published paper.

(2) Data derived from our pre-clinical studies.

- Overall Applicability to Solid Tumors: While ADCs can also exhibit antigen over-express based broad-spectrum applicability, they require high target specificity, with antigens not only highly expressed in tumor cells but also capable of internalizing ADCs to be effective. Tumor heterogeneity often leads to significant variability in antigen expression across tumors, and certain antigens may downregulate or be lost during treatment. SDCs, on the other hand, utilize β-glucuronidase (β-GU) in the tumor microenvironment for enzymatic cleavage and drug release. β-GU, an important acid lysosomal hydrolase, is abnormally expressed at high levels in tumor tissues compared to normal cells. This high expression is observed across a wide range of malignancies, such as breast cancer, gastrointestinal cancers, lung cancer, and melanoma. The mechanism of action of β-GU is broadly applicable to solid tumors. Preclinical studies have shown that Hemay181 demonstrates significant and sustained tumor inhibition in xenograft models of triple-negative breast cancer, liver cancer, pancreatic cancer, gastric cancer, colorectal cancer, lung cancer, head and neck cancer, ovarian cancer, and

small-cell lung cancer, as well as PDX models of triple-negative breast cancer, pancreatic cancer, gastric cancer, liver cancer, small-cell lung cancer, lung squamous cell carcinoma, and colorectal cancer, highlighting its potential as a broad-spectrum anti-tumor drug.

- Low Immunogenicity: ADCs may elicit immunogenic responses in patients. Although most ADCs are now developed using humanized or fully human monoclonal antibodies, they still face challenges related to antigenic epitopes on the antibody itself, as well as new epitopes formed by conjugation with linkers and small molecule toxins. These factors may lead to the generation of anti-drug antibodies, ADAs. In contrast, SDCs are expecting to have smaller molecular weights and limited antigenic epitopes, resulting in lower immunogenicity and higher safety.

Based on our Tumor microenvironment activation substructure combination chemotherapy drug design platform, SDCs exhibit favorable pharmacokinetics, predictable cleavage sites and rates for drug release, and improved therapeutic windows, enhancing efficacy while maintaining acceptable adverse effects.

Hemay181 is an SDC drug with a mechanism of action. It is the first clinical-stage SDC drug globally that is activated by β-GU in the tumor microenvironment, offering broad-spectrum anti-tumor potential. After administration, Hemay181 demonstrated a metabolic stability during systemic circulation. Upon reaching the tumor site, β-GU cleaves Hemay181 and releases the cytotoxic drug SN38.

Commercial-Scale In-House Manufacturing Capabilities

We have established commercial-scale in-house manufacturing capabilities to ensure stable and cost-controlled supply of active pharmaceutical ingredients, or APIs, and drug products. This integrated approach ensures stability and cost efficiency of clinical and commercial supply. Our Core Product, Mufemilast, received NDA approval from the NMPA for the treatment of moderate to severe plaque Ps in September 2025, marking a critical milestone in its commercialization journey. We proactively laid the foundation to cover the full industry chain from drug discovery and development to manufacturing. We have completed the construction of our production facilities in Xiajiang and Ganzhou, along with their supporting infrastructure, in accordance with GMP standards.

Xiajiang Manufacturing Facility

Our Xiajiang facility is responsible for process development and production of APIs and key intermediates. The facility covers an area of over 46,000 sq.m and with 63 employees as of December 31, 2025. It is equipped with three production lines, with a designed production capacity of approximately 5.8 tons per annum, of which approximately 1.4 tons per annum are currently operational as of the Latest Practicable Date. As the core production hub for APIs and key intermediates, the Xiajiang facility is outfitted with manufacturing equipment. This facility has been inspected by NMPA and passed the inspection for the NDA for Mufemilast, which paved its way for commercialization of Mufemilast.

Ganzhou Manufacturing Facility

Our Ganzhou Manufacturing Facility specializes in process development and manufacturing of drug products. The facility covers an area over 27,000 sq.m and with employees of 68 as of December 31, 2025. It is equipped with three production lines capable of manufacturing various dosage forms, including tablets and ointments, with a designed production capacity of 115 million tablets and 10 million ointments per annum. This facility has been inspected by NMPA and passed the inspection for the NDA for Mufemilast, which paved its way for its commercialization.

We possess all the critical technologies and processes for producing key intermediates, APIs, and drug products for our pipeline products. This enables us to maintain full autonomy and control over technology, quality, and production, mitigating risks associated with external dependencies. Moreover, this provides us with a significant advantage in controlling product costs and pricing. For our future global expansion strategy, our autonomous manufacturing technology and cost

advantages will empower us to compete with international pharmaceutical companies, overcome technological barriers, and introduce cost-effective products to the global market. This will help us to gain recognition in international markets and lay a solid foundation for our global growth.

Experienced Management Team Supported by Renowned Investors

We have assembled an experienced and professional management team with extensive expertise in drug discovery and development, strategic decision-making, and market trend analysis. Our founder and chairman of our Board, Dr. Zhang Hesheng, is a recipient of the State Council Special Allowance for Experts. Dr. Zhang has achieved outstanding accomplishments in scientific innovation and entrepreneurial activities in China, earning numerous accolades, including: "State Council Special Allowance Expert," "Key Overseas Chinese Entrepreneurial Team" (重點華僑華人創業團隊) awarded by the Overseas Chinese Affairs Office of the State Council, "China Overseas Chinese Contribution Award" (中國僑界貢獻獎), and "Outstanding Jiangxi Entrepreneur Returning Home" (回鄉創業優秀贛商). In 2017, Dr. Zhang was selected as Overseas High-level Talent Recruitment Program (海外高層次人才引進計劃) by the Organization Department of the Central Committee of the Communist Party of China. As the principal investigator, Dr. Zhang has led several national and provincial government-funded projects, including the "Major New Drug Development" initiative under the 11th Five-Year Plan. He has over 20 years of working experience in biomedical research and management. Under Dr. Zhang's leadership, we have built a professional team that bridges early-stage drug research and clinical trials, as well as a comprehensive scientific R&D team. Our Research and Development Division includes Animal Center, Metabolism Laboratory, Medicinal Chemistry Department and Pharmacology Department; and our Development Division includes Process Department, Analytic Department, Formulation Department, Clinical Department and Patent Management Department. These teams comprehensively cover all critical stages of drug discovery and development.

Other members of our management team also have extensive industry experience in R&D and operations:

Mr. Chen Yingwei, holder of senior engineer qualification (高級工程師任職資格) in pharmaceutical chemistry, is our executive Director, deputy general manager, Board secretary and head of sales department. He is primarily responsible for the operation, investment and legal matters of our Group. He has over 20 years of working experience in biomedical research and management. Mr. Chen obtained his bachelor's degree in materials chemistry from Nankai University in the PRC in June 2003.

Dr. Huo Aihong, holder of senior engineer qualification (高級工程師任職資格) in pharmaceutical chemistry, joined our Group in June 2004 and has been our deputy general manager since March 2023 and our executive Director since May 2025. She is primarily responsible for product registration and late-stage development matters of our Company. Dr. Huo has more than 20 years' experience in pharmaceutical research. From June 2004 to December 2015, she held various research and development positions in Hemay Bio-Tech with the highest position held being its director of research and patent matters. Dr. Huo obtained her doctorate degree in applied chemistry from the Tianjin University School of Pharmacy in the PRC in June 2011.

Dr. Zeng Guanghuai, a holder of senior engineer qualification (高級工程師任職資格) in pharmaceutical chemistry, our deputy general manager, joined our Group in August 2004. He has been the deputy general manager of our Company since March 2023. He is primarily responsible for our Company's early-stage research and development pipelines, and related matters. Dr. Zeng has more than 20 years' experience in pharmaceutical research. From July 2009 to August 2015, he was the research and development director of Hemay Bio-Tech. Dr. Zeng obtained his master's degree and doctorate degree in organic chemistry from Nankai University in the PRC in July 1998 and December 2003, respectively.

Dr. Charles Richard Jones joined our Company as chief medical officer in March 2024. He is primarily responsible for drug development and medical affairs in our Group. Dr. Jones has over 30 years' experience in drug development and clinical research in the pharmaceutical and biotechnology industries. He also served as the medical advisor of Tianjin Hemay Pharmaceutical from March 2017 to May 2018. Prior to joining our Company, he served as chief medical officer at Worg Pharmaceuticals (Zhejiang) Co., Ltd. (百明信康生物技術(浙江)有限公司) from August 2018 to July 2022. From May 2014 to July 2018, Dr. Jones was vice president and global therapeutic head at inVentiv Health (now Syneos Health). From August 2012 to April 2014, Dr. Jones was a vice

president at Quintiles (now known as IQVIA). Dr. Jones obtained his bachelor of arts in pharmacology from Cambridge University in June 1975, his bachelor of medicine and bachelor of surgery from Oxford University Medical School in January 2009, and his doctorate degree in medicine from Oxford University in November 2009. He is a member of the Royal College of Physicians (UK) and holds additional professional membership in the Faculty of Pharmaceutical Medicine (UK).

Since our inception, we have completed multiple rounds of financing and secured support from numerous renowned investors, including Zhenzhuo Pharmaceutical, Zhenzhuo Xinqi, Shanghai Cenova, Tigermed Investment, Taikun Investment and Efung Ruiyi.

OUR STRATEGIES

Accelerate Clinical Development of Mufemilast Across Multiple Indications to Enhance Market Influence and Industry Position

We are fully committed to accelerating the clinical development of Mufemilast for multiple indications and advancing its approval and commercialization. Through these efforts, we aim to enhance Mufemilast's market influence and industry position in the field of autoimmune diseases. Among the indications for which we have received IND approval, we plan to prioritize the clinical development of UC, BD, CD, PsA, and COPD.

BD: for the BD indication, as we hold global rights for the development and commercialization of Mufemilast, we have formulated the following global market strategies:

China Market. According to the second batch of the Rare Disease Catalog published by the National Health Commission of China, BD has been officially designated as a rare disease. There are approximately 240,100 patients with BD in China in 2024, and available treatment options are extremely limited. We were conducting the Phase III clinical trial of Mufemilast for BD, and expect to complete the core phase of this clinical trial in the first quarter of 2026. We plan to submit the NDA to the NMPA in 2026.

Global Market. Based on the efficacy and safety demonstrated in the Phase II clinical trial of Mufemilast for BD, the FDA has granted Orphan Drug Designation for this indication. We have made a Pre-IND submission to the FDA for the pivotal clinical trial of Mufemilast in BD, and were communicating with the FDA with the aim to initiate global multi-center clinical trials as soon as possible. We intend to use BD as a breakthrough to rapidly establish Mufemilast's presence in the U.S. and other global markets, build a strong reputation and brand image internationally, and lay a solid foundation for the continued advancement of our globalization strategy.

UC: As of the Latest Practicable Date, we were in the process of clinical data cleaning of Phase II clinical trial and plan to initiate phase III clinical trial in June 2026. We will actively communicate with the NMPA regarding the Phase III clinical trial protocol based on the Phase II data, and plan to initiate the Phase III trial as soon as possible to support future NDA submissions.

CD: Building on the promising results of Mufemilast in UC, we plan to expand its development to CD, where current therapies are numerous but generally have limited efficacy. Mufemilast is considered a potential high-value therapeutic asset in the IBD area. In November 2024, we received NMPA approval to initiate clinical trials of Mufemilast for CD. We plan to formally commence a Phase II clinical trial in China in the in 2026, measured by the enrollment of first patient, and aim to complete this study within two years, laying a solid foundation for subsequent pivotal trials.

PsA: PsA is a chronic inflammatory arthropathy closely associated with psoriasis. Building upon Mufemilast's initial approval for moderate to severe plaque Ps, we will continue to develop Mufemilast for the treatment of PsA, thereby broadening its therapeutic scope within the psoriasis spectrum. We have obtained NMPA approval and plan to initiate the Phase II/III adaptive clinical trial in 2026 and will advance the study in strict accordance with regulatory requirements.

COPD: We have commenced a Phase II clinical trial in China in the first half of 2026, actively exploring its therapeutic efficacy and application prospects in this field.

Advance Clinical Development of Hemay022 and Hemay181 to Build a Globally Competitive Pipeline

We will continue to rapidly advance the clinical development of our core and key products in autoimmune diseases and oncology to meet urgent clinical needs and provide more effective treatment options for patients. Specifically:

In the field of oncology, we will further optimize the technology of our tumor microenvironment-activated "substructure-combinatorial" SDC drug design platform, and comprehensively validate the platform's effectiveness through the clinical progress of Hemay181. Hemay181 has obtained clinical trial approvals in both China and the United States. We were currently conducting a Phase I clinical trial of Hemay181 for advanced solid tumors in China, which is expected to be completed in 2026. Subsequently, we plan to initiate Phase II clinical trials targeting specific tumor types based on Phase I data. After conducting a small bridging study, we will enroll global solid tumor patients to facilitate the early initiation of international multi-center clinical trials, thereby accelerating Hemay181's global development. In addition, Hemay022 has completed a Phase Ib clinical trial in combination with endocrine therapy for ER+/HER2+ advanced breast cancer. Based on the results of the Phase Ib trial, the NMPA has approved Hemay022 to proceed directly to pivotal clinical trials. We were conducting a Phase III clinical study of Hemay022 in combination with aromatase inhibitors for ER+/HER2+ advanced breast cancer in China. We plan to submit an NDA to the NMPA after the interim analysis in 2027 to expedite product launch.

Optimize Commercialization Infrastructure, Focusing on Mufemilast's Upcoming Approval for Psoriasis

We have successfully obtained marketing approval from the NMPA of Mufemilast for the treatment of moderate to severe plaque Ps in September 2025, and we have fully initiated commercialization preparations.

We plan to adopt a dual strategy of direct sales and collaboration with third-party contract sales organizations (CSOs). We will establish an in-house sales team in China, aiming to build a commercialization team of approximately 80 members within one year of Mufemilast's launch, covering key functions such as sales, medical affairs, commercial channels, and market access. Concurrently, we will selectively partner with CSOs with extensive experience and networks in dermatology, rheumatology, and gastroenterology to rapidly expand coverage in target markets.

Additionally, we plan to leverage Mufemilast's significant clinical advantages by engaging key opinion leaders and promoting its inclusion in authoritative domestic clinical guidelines. We will strengthen clinical awareness of Mufemilast in Ps, BD, IBD, and other autoimmune diseases through academic conferences, clinical research sharing sessions, and expert panel discussions. Product pricing will be determined by considering the prices of comparable products, patient affordability, and public medical insurance coverage in China, ensuring that Mufemilast's price reflects its clinical value while maintaining competitiveness and accessibility.

Expand Manufacturing Facilities to Support Commercialization, Enhance Supply Capabilities and Optimize Manufacturing Processes

Our Core Product, Mufemilast, demonstrates significant market potential, with multiple indications in clinical development expected to address a large patient population. Our existing API manufacturing facility in Xiajiang and formulation facility in Ganzhou are operational; however, given the manufacturing demands of Mufemilast's broad indications and the clinical progression of Hemay022, current capacity may be insufficient to meet future market needs. We will continue to invest in in-house manufacturing capacity in line with the commercialization progress of our Core and key products, advancing the construction of GMP-compliant facilities to build a highly autonomous and efficient production system. We have planned two new manufacturing bases in Anhui and Gansu. In Lai'an, Anhui, we have acquired land and plan to construct a formulation facility primarily for tablets and a research center, covering over 20,000 square meters with a planned capacity of 200 million tablets. In Lanzhou, Gansu, we plan to establish a facility primarily for topical formulations. These initiatives will enable our manufacturing infrastructure to meet

current and future commercial needs, strengthening our supply capabilities. Through further development of our manufacturing system, we will achieve full autonomy in technology, quality, and production, while effectively reducing manufacturing costs.

Our CMC team will continue to drive process optimization through innovation. We will develop and refine manufacturing processes, upgrade facilities, enhance production technologies, and introduce new technology platforms to continuously improve product quality and cost control, thereby enhancing our overall manufacturing competitiveness.

Strengthen R&D Capabilities to Drive Innovation and Ensure a Sustainable Product Pipeline

We will continue to uphold our commitment to innovation, planning to increase R&D investment and focus on unmet clinical needs in autoimmune diseases and oncology. We will continuously optimize our existing pipeline and develop forward-looking drug candidates.

- Ongoing Exploration and Filing for New Indications: We have a deep understanding of Mufemilast's mechanism of action and believe it has therapeutic potential for multiple autoimmune diseases. We have conducted preclinical research on Mufemilast for several indications and will prioritize those with high potential for clinical development. We will continue to explore new indication opportunities to fully realize Mufemilast's application potential and broaden its therapeutic spectrum, believing it will benefit more patients across diverse indications.

- Optimization of the SDC Drug Design Platform (as named in the business section): We are committed to optimizing the SDC drug design platform by deepening our study of tumor microenvironment regulation and identifying exploitable enzymes. We will continue to enhance key SDC drug development technologies, including payloads and linkers, to expand the therapeutic index of SDC drugs. We are developing a series of candidates with new mechanisms of action and chemical structures, which have demonstrated promising tumor enrichment and anti-tumor activity in preclinical studies.

In addition, we will establish long-term partnerships and close collaborations with leading research institutes, authoritative medical institutions, and key opinion leaders, or KOLs, worldwide, deeply sharing cutting-edge research results and clinical experience to lay a solid foundation for R&D innovation.

We believe that by continuously enhancing our R&D capabilities in autoimmune diseases and oncology, we can pursue a leading position in global pharmaceutical innovation and provide patients with more effective and high-quality medicines.

Attract and Motivate Diverse Talent Aligned with Growth Objectives

We recognize that in the highly competitive and challenging field of pharmaceuticals, attracting and motivating diverse talent aligned with our development objectives is a key strategy. We will continue to expand our R&D team, focusing on global pharmaceutical frontiers and attracting professionals with extensive industry and multinational experience in life sciences, pharmacy, molecular biology, and clinical medicine. This will enhance our overall drug development capabilities and market position, enabling more high-quality candidates to benefit patients.

As our Core/Key products approach commercialization, building a professional and efficient in-house sales team in China is a priority. We will focus on recruiting experienced sales professionals in psoriasis and related disease areas. We have established a comprehensive incentive system, which will be continuously optimized to motivate and foster creativity across departments and build a dynamic corporate culture. We set differentiated reward mechanisms tailored to each department's function and employee profile to continuously enhance professional skills and engagement.

Enhance Domestic and International Business Development to Drive Global Expansion

We have established a unique small-molecule drug R&D platform with global intellectual property rights and have developed globally owned candidate drugs based on this platform. In the context of pharmaceutical globalization, strengthening domestic and international business development and building a global collaboration network are core strategies. We plan to license the rights to certain candidates in specific countries/regions to multinational pharmaceutical companies, or MNCs, leveraging resource integration and complementary advantages to accelerate drug development and commercialization.

To implement these strategies, we will strengthen our business development team and deepen collaborations with domestic and international pharmaceutical companies and research institutes, continuously expanding our global partnership network. Through business development collaborations, we aim to rapidly advance the R&D and commercialization of our product pipeline, enabling patients worldwide to benefit from our medicines and contributing to global health.

AWARDS AND RECOGNITIONS

Award	Issuing Organization	Awarding Year
National "13th Five-Year Plan" Major New Drug Innovation Major Science and Technology Project: Preclinical Research of Mufemilast	Ministry of Science and Technology	2016
National "13th Five-Year Plan" Major New Drug Innovation Major Science and Technology Project: Preclinical Research of Hemay022	Ministry of Science and Technology	2016
National "13th Five-Year Plan" Major New Drug Innovation Major Science and Technology Project: Clinical Research of Hemay022	Ministry of Science and Technology	2018
China Association for Science and Technology "Sci-Tech Innovation China" Pioneer Technology List (Biopharmaceutical Field)	China Association for Science and Technology	2023
Jiangxi Province Potential Unicorn Enterprise	Jiangxi Provincial Department of Science and Technology	2023

OUR PRODUCT PIPELINE

The chart below sets out the R&D status of the drug candidates that we are developing internally as of the Latest Practicable Date. We strategically prioritize our resources for clinical development and commercialization of certain drug candidates, including our Core Products and Hemay181.

Disease Area	Pipeline Code	Target/ Mechanism of Action	Indication	Competent Authority	Route of administration	Pre-clinical/ IND	Phase I	Phase II	Phase III	NDA	Expected upcoming Milestones/Current Status	Mono/ Combo	Commercial Rights
Autoimmune Disease/ Inflammatory Disease	Mufemilast**	PDE4B/ PDE4	Moderate to severe plaque Ps[9]	NMPA							In September 2025, the NMPA approved the NDA for Mufemilast for the treatment of moderate to severe plaque Ps.	Mono	Global
			BD	NMPA							Ongoing Phase III clinical trial in China from November 2023 Pre-IND submission to FDA made in July 2023	Mono	Global
				FDA									
			Moderate to severe UC	NMPA							We plan to complete the Phase II clinical trial in the third quarter of 2026	Mono	Global
			Moderate to severe COPD	NMPA							We plan to complete the Phase II clinical trial in 2027	Mono	Global
			Moderate to severe CD	NMPA							We plan to initiate Phase II clinical trial in 2026	Mono	Global
			Moderate to severe AD	NMPA	p.o.						Phase II clinical trial complete, pending issuance of final clinical trial report.	Mono	Global
			Moderate to severe PsA	NMPA	p.o.						We plan to initiate Phase II/III adaptive clinical trial in 2026	Mono	Global
	Hemay007*[10][11]	TNF-α	Moderate to severe RA	NMPA	p.o.						We plan to complete the Phase II clinical trial in 2026	Mono	Global
	Hemay808*[11]	IgE/PDE4	Mild to moderate AD	NMPA	t.a.						We have completed Phase IIa clinical trial for AD in China. We plan to start Phase IIb clinical trial in China by second half of 2026, pending receipt of [**REDACTED**] from the [**REDACTED**].	Mono	Global
Tumor	Hemay022**[11]	EGFR/HER2	advanced ER+/ HER2+ breast cancer	NMPA	p.o.						We have completed the Phase Ib clinical trial in combination therapy targeting advanced ER+/HER2+ breast cancer; We plan to submit a NDA application in China in 2027.	combination therapy[6]	Global
	Hemay181*[8]	β-GU	Solid tumors	NMPA	injection						We are conducting Phase I and Phase Ib clinical trials in China and we have received on FDA approval for a clinical trial in the U.S. in June 2023	Mono	Global
				FDA								Mono	Global
	Hemay5087	β-GU	Solid tumors	NMPA	injection						We plan to initiate a phase I clinical trial in the second quarter of 2026.	Mono	Global

(1) ** denotes our Core Products.

(2) * denotes our key products

(3) We directly commenced or plan to directly commence a Phase II clinical trial of PsA, AS, AD, UC, COPD and CD by leveraging the Phase I clinical trial results of Ps in healthy subjects. Results of Phase I clinical trial of Ps were submitted to and approved by NMPA as basis for applications to commence clinical trials for PsA, AS, AD, UC, COPD and CD. Phase I clinical trials are typically conducted in healthy volunteers to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of a drug candidate. These objectives are generally consistent across indications and are not disease-specific. Accordingly, the Phase I clinical data generated from healthy subjects in the Ps trial were deemed sufficient to support the initiation of Phase II trials in these additional indications without the need to conduct separate Phase I studies for each. In each case, we have conducted, and will continue to conduct, such clinical development activities in consultation with, and subject to the requisite approvals from, the CDE of NMPA. As advised by our PRC Legal Advisor, there is no mandatory provision under applicable PRC laws and regulations requiring that a separate Phase I clinical trial must be conducted for each new indication, provided that the existing data are sufficient to support the safety and pharmacokinetic profile of the drug candidate. See "Regulatory Overview — PRC Laws and Regulations — Laws and Regulations in Relation to New Drugs — Phases of Clinical Trials" for details.

(4) Hemay022 does not require a phase II clinical trial because NMPA has approved us to conduct phase III clinical trial based on the results of our Phase Ib clinical trial.

(5) Clinical trials of Hemay022 was approved as a combination therapy, while clinical trials of Mufemilast, Hemay007, Hemay181 and Hemay808 were conducted as monotherapy therapies.

(6) Combination therapy with Exemestane, Letrozole and Fulvestrant. See "— Our Clinical-Stage Drug Candidates — Hemay022 — Summary of Clinical Trials — Combination Therapies with Endocrine Therapy (Phase Ib)".

(7) p.o. = oral administration; t.a. = topical application.

(8) Hemay181 was developed in a research cooperation arrangement with Nankai University. The cooperative research arrangement focused on the development of novel immunotoxins and miniaturized antibody-drug conjugate drug candidates. Under the arrangement, Nankai University is responsible for executing the early-stage research plan, including compound identification and optimization while we have full control over patent applications and subsequent development. For further details, see "— Cooperation with Third Parties — Cooperation with Nankai University".

(9) Certain early-stage research activities, including regulatory coordination and funding for R&D for Mufemilast, were conducted in cooperation with Zhuang Entities. We maintained sole, independent and effective control over all aspects of R&D and clinical development. Zhuang Entities did not participate in clinical trial implementation or technical development. For further details, see "— Cooperation with Third Parties — Our Historical Cooperation with Zhuang Entities".

(10) For Hemay007, both Phase II clinical trials were approved based on results derived from the same Phase I clinical trial, Hemay007AU01.

(11) We solely conducted research on the development of Hemay007, Hemay808 and Hemay022.

Our drug candidates are subject to NDA approval by the relevant authorities, such as the NMPA, before commercialization in the relevant jurisdictions. See "Regulatory Overview — Overview of Laws and Regulations in the PRC." As of the Latest Practicable Date, we believe we have not received any material comments or concerns raised by the NMPA that we are not able to address in a timely manner, and we believe we are on track to file the NDAs related to our core product candidates as described in "— Our Clinical-Stage Drug Candidates."

Our Clinical-Stage Drug Candidates

Mufemilast

Mufemilast is a small-molecule targeted drug candidate that features dual mechanisms: as a blocker of PDE4B protein expression and as a PDE4 inhibitor. Mufemilast, by blocking the overexpression of PDE4B protein and inhibiting PDE4B activity, reduces the hydrolysis of cAMP, thereby increasing intracellular cAMP levels. Mufemilast does not cross the blood-brain barrier readily, thereby reducing central nervous system side effects, including depression and suicidal tendencies. The risk of drug interaction is low, as metabolism occurs through non-CYP450 pathways. It is also considered safe for administration in patients with LTBI. According to F&S, Mufemilast is a globally agent with a dual mechanism of action: it both blocks the expression of the PDE4B protein and inhibits PDE4 activity.

Summary of Key Developments

As of the Latest Practicable Date, we are executing a comprehensive clinical development plan for Mufemilast in China and globally, targeting eight major indications. The table below sets out the key developmental milestones of all ongoing and planned clinical programs of Mufemilast in the jurisdictions indicated as of the Latest Practicable Date:

Indication	Time	Milestone
China		
Ps	July 2015	IND approval obtained
	December 2016 to May 2018	Phase I (single dose, safety and pharmacokinetics study) completed
	July 2018 to October 2018	Phase I (single & multiple dose, safety, tolerability and pharmacokinetics study) completed
	August 2018 to September 2018	Phase I (food effect, single dose) completed
	July 2022 to September 2022	Phase I (mass balance study) completed
	June 2019 to July 2021	Phase II completed
	January 2022 to July 2023	Phase III completed
	March 2024	NDA application submitted
	May 2024	NDA application accepted under priority approval
	September 2025	NDA approved
BD	January 2020	IND approval obtained
	February 2021 to April 2022	Phase II completed
	November 2023 to 2026 (expected)	Phase III – Initiation: November 2023 – Expected completion: 2026
AS	July 2020	IND approval obtained
	August 2022 to August 2023	Phase II completed
AD	September 2020	IND approval obtained
	January 2023 to first half of 2026	Phase II – Initiated: January 2023 – Expected completion: first half of 2026[(1)]
UC	December 2021	IND approval obtained
	March 2023 to first half of 2026	Phase II – Initiated: March 2023 – Expected completion: third quarter of 2026[(1)] Phase III – Expected time of Initiation: June 2026
COPD	June 2022 to 2027 (expected)	IND approval obtained Phase II – Initiated: December 2025 – Expected completion: 2027
PsA	April 2023	IND approval obtained
	Planned	Phase II/III adaptive clinical trial[(2)] – Expected initiation: 2026 – Expected completion: to be determined
CD	November 2024	IND approval obtained

Indication	Time	Milestone
	Planned	Phase II[(2)] – Expected initiation: 2026 – Expected completion: 2028
Australia		
Ps	July 2023 to August 2023	Phase I (ethic bridging study) completed
United States		
BD.	July 2023 Planned	Pre-IND application submitted Phase III – Expected initiation: 2026 – Expected completion: 2028

Notes:

(1) We believe the expected timetable for our clinical trial milestones is reasonable and achievable for the following reasons: the enrollment for the UC Phase II trial, BD Phase III trial and AD Phase II trial was completed as of the Latest Practicable Date. The UC Phase II trial was in the process of data cleaning. the clincial trial report of AD Phase II was finalized, pending the final confirmation from the CRO. As of the Latest Practicable Date, we have not identified any material adverse factors, whether financial or operational, that would negatively affect the progress or timely completion of these trials.

(2) We believe the expected schedule for initiating the planned Phase II/III adaptive clinical trial of Mufemilast in PsA, as well as the Phase II clinical trial in CD, is reasonable and achievable for the following reasons: as of the Latest Practicable Date, the study protocols for both trials have been finalized; the selection of contract research organizations (CROs) and study centers is either ongoing or substantially completed, with CRO and site selection for the PsA trial in progress, and CRO selection for the CD trial substantially finalized with site selection underway. In addition, we plan to allocate a portion of our [**REDACTED**] from the [**REDACTED**] for PsA Phase II/III adaptive clinical trial, CD Phase II clinical trial. As of the Latest Practicable Date, we have not identified any material adverse factors, whether financial or operational, that would negatively affect the timely initiation of these trials.

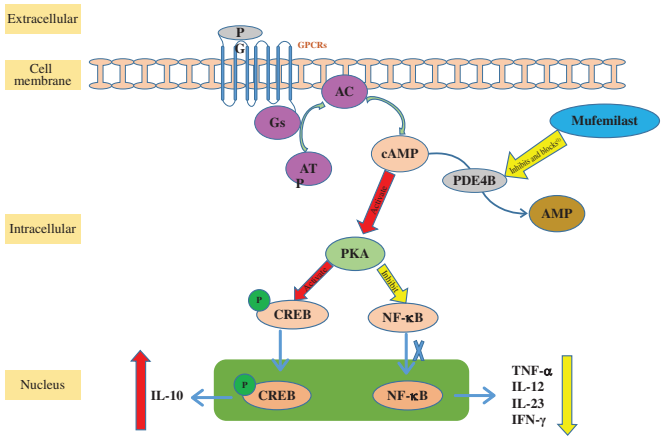
In respect of overseas clinical trial development of Mufemilast, as of the Latest Practicable Date, we have completed a Phase I bridging study in Australia and are preparing for a registration-focused Phase III trial for the treatment of BD in the United States. We intend to engage directly with the FDA to seek approval for launching a Phase III trial with the support of key data from our domestic Phase II and Phase III trial for BD. We plan to discuss with the FDA on the feasibility of each plan. We are preliminary assessing the feasibility of initiating a clinical study in relation to the treatment of IBD in Australia. We also plan to initiate a clinical trial for the treatment of IBD in Australia, with the first patient enrollment expected in July 2026. The costs and expenses for this trial are expected to be funded by our funds. We do not currently have any other plans to initiate any additional clinical trials overseas in respect of Mufemilast.

Mechanism of Action

PDE is a family of intracellular hydrolase enzymes comprising 11 subtypes. Among them, PDE4 is primarily found in immune cells, epithelial cells, and brain cells. It is an intracellular non-receptor enzyme that regulates inflammation and epithelial integrity. PDE4 specifically hydrolyzes cyclic adenosine monophosphate (cAMP) and regulates downstream inflammatory signaling cascades, playing a key role in the production of pro-inflammatory cytokines. Overexpression of PDE4 results in a decrease in cAMP levels, contributing to the development and progression of various inflammatory skin diseases, as well as inflammatory diseases affecting other systems or organs. PDE4B is one of the four subtypes (isoforms) within the PDE4 family.

According to F&S, Mufemilast is a globally agent with a dual mechanism of action: it both blocks the expression of the PDE4B protein and inhibits PDE4 activity. Mufemilast demonstrates a lower incidence of central nervous system side effects, including depression and suicidal tendencies. It is also considered safe for administration in patients with LTBI. Mufemilast, by blocking the overexpression of PDE4B protein and inhibiting PDE4B activity, reduces the hydrolysis of cAMP, thereby increasing intracellular cAMP levels. This, in turn, activates PKA, which subsequently inhibits the NF-κB signaling pathway, reducing the production of pro-inflammatory cytokines such as TNF-α, IL-23, IL-2, and IL-12, as well as IFN-γ. At the same time, it activates the CREB signaling pathway, increasing the concentration of the anti-inflammatory cytokine IL-10, thereby suppressing immune and inflammatory responses.

The diagram below illustrates the mechanism of action of Mufemilast:



PG = prostaglandin; GPCRs = G-protein coupled receptors; Gs = G protein alpha subunit; AC = adenylyl cyclase; ATP = adenosine triphosphate; cAMP = cyclic adenosine monophosphate; AMP = adenosine monophosphate; PDE4B = phosphodiesterase 4B; PKA = protein kinase A; CREB = cAMP responsive element binding protein; NF-κB = nuclear factor kappa-B; TNF-α = tumor necrosis factor-α; IL = interleukin; IFN-γ = interferon-γ.

(1) Mufemilast blocks PDE4B protein overexpression and inhibits PDE4B activity

Licenses, Rights, and Obligations

As of the Latest Practicable Date, we have developed Mufemilast and retain its global rights for its development and commercialization. We previously received financial support from Truman, Hailing Pharmaceutical, Hailing Chemical, and Hailing Asia to development Mufemilast. See "History, Development and Corporate Structure — Our Corporate History and Development — Major corporate developments of our Company — Series C Financing — (i) Rights and interests in Mufemilast."

Market Opportunity and Competition

The psoriasis drug market in China is characterized by intense competition as there are 17 approved targeted therapy in China including Apremilast with the same target as our Core Product, and drug such as Adalimumab targeting TNF-α. Some drugs have demonstrated superior performance than Apremilast in head to head clinical trail, such as Sotyktu, a TYK2 inhibitor developed by BMS. According to F&S, China's psoriasis drug market size reached RMB 18.2 billion in 2024, with a CAGR of 30.5% from 2019 to 2024. The market size will climb to RMB 48.3 billion in 2028 and RMB 87.1 billion in 2032, with a CAGR of 27.6% from 2024 to 2028 and 15.9% from 2028 to 2032. A variety of small-molecule therapies have been approved or are in development for treating psoriasis in China. Approved treatments include AbbVie's Rinvoq® (upadacitinib), a JAK1 inhibitor, and BMS's Sotyktu® (deucravacitinib), a TYK2 inhibitor. In addition, several promising candidates are in the clinical development stage, such as Janssen's JNJ-2113 (Icotrokinase), Takeda's TAK-279, and Hansoh Pharmaceutical's HS-10374, which target pathways like IL-23R and TYK2. Other notable drugs in the pipeline include vTv Therapeutics' HPP737 and Simcere Pharmaceutical's SIM 0335, which represent a range of mechanisms, including PDE4 and IKK, aimed at addressing the underlying inflammatory processes of psoriasis. Mufemilast is a differentiated product with broader action than biologics targeting a single cytokine pathway (IL-23, IL-17, TNF) and offers the advantages of a small molecule, eliminating the need for patient injections. As compared to biologics, Mufemilast, as a small molecule PDE4 inhibitor, offers better convenience in terms of administration methods. Unlike many biologics that require regular injections, Mufemilast, as a small molecule PDE4 inhibitor, is an oral medication, which enhances patient convenience and adherence to treatment. This oral administration method aligns with patient preferences for long-term management of chronic conditions like Ps, reducing the need for frequent medical visits and self-injections. The convenience of oral dosing can lead to better treatment adherence, which is crucial for managing chronic inflammatory diseases effectively.

The number of patients with BD worldwide reached 1.0 million in 2024, with a CAGR of 3.7% from 2019 to 2024. The number of patients is expected to reach 1.3 million in 2032, with a CAGR of 3.7% from 2028 to 2032. A variety of small-molecule therapies have been approved or are in

development for the treatment of BD globally. Approved treatments include AbbVie's Humira® (adalimumab) and Janssen's Remicade® (infliximab), both targeting TNF-α, as well as Amgen's Otezla® (apremilast), a PDE4 inhibitor. In addition, several promising candidates are in the clinical development stage, including Galapagos' GLPG0634 (Filgotinib) and Soligenix's SGX945 (Dusquetide), which target pathways such as JAK1, and SQSTM1, respectively. These therapies encompass a range of mechanisms designed to address the inflammatory processes underlying BD. The number of patients with UC in China increased from 400,200 in 2019 to 583,900 in 2024, representing a CAGR of 7.8%. The number is expected to grow to 1.0 million by 2032, with a CAGR of 7.7% from 2024 to 2028. A variety of small-molecule therapies have been approved or are in development for the treatment of ulcerative colitis (UC). The number of patients with mild AD increased from 47.5 million in 2019 to 52.6 million in 2024, with a CAGR of 2.0% from 2019 to 2024, and is projected to reach 56.5 million by 2032. The number of patients with moderate to severe AD increased from 18.2 million in 2019 to 20.3 million in 2024, with a CAGR of 2.2% from 2019 to 2024, and is projected to reach 23.1 million by 2032. In 2024, the number of COPD patients in China reached 107.8 million. The number is expected to reach 112.0 million by 2032, growing at a CAGR of 0.4% from 2028 to 2032.

Features and Advantages of Mufemilast

Addressing Multiple Indications

The central role of PDE4 targets multiple pathways that drive inflammation through the balance of Th17/Treg cells, the IL-23 pathway, and mechanisms involving NF-κB, TNF, and IFN-γ. These pathways drive autoimmune disease in multiple indications. Through this action, Mufemilast addresses a broad spectrum of significant autoimmune conditions, including IBD, Ps, BD, and COPD.

Distinct mechanism of action vs Biologics and other PDE4 inhibitors

This derisks Mufemilast as vasculitis, which was seen with other PDE4 inhibitors that stopped clinical development and is a component of multiple autoimmune diseases. Vasculitis has also been associated with TNF inhibition in the clinic. Additionally, mufemilast is differentiated from JAK pathway inhibitors, which all carry FDA black box warnings regarding cardiovascular safety. Mufemilast is also anticipated to be free of warning labels related to infection risk associated with biologics (anti-TNF, IL-17, IL-12, IL-23) due to its mechanism of action. Anti-IL17 inhibitors for psoriasis also have a risk of inducing IBD, whereas mufemilast is a treatment for IBD.

Favorable Pharmacokinetic Characteristics Support Efficient Absorption

At single doses ranging from 10 to 125 mg, the dose-normalized C_{max} and AUC_{inf} in female subjects were similar to those in male subjects across all groups. At steady state with BID dosing from 15 to 75 mg, Cmax and AUCinf in female subjects were also comparable to those in male subjects across all groups. Our pre-clinical studies suggested that Mufemilast may have a drug-drug interaction with CYP3A, but not with other metabolic enzymes. During a clinical trial, we used Midazolam as a probe substrate for CYP3A to evaluate the effect of multiple doses of Mufemilast on the pharmacokinetics of midazolam and its active metabolite, α-hydroxymidazolam. The clinical trial showed that within the clinical dose range, Mufemilast did not exhibit a significant CYP3A induction effect in humans and is therefore free from CYP-mediated drug interactions.

Improved Safety for Patients with Concurrent Latent Tuberculosis Infection and Autoimmune Diseases

105 subjects with LTBI positive were enrolled. No cases of active tuberculosis were observed through 52 weeks of treatment, indicating that Mufemilast demonstrates a high level of safety in patients with latent tuberculosis infection. During the trial period, no clinically significant abnormalities indicative of active tuberculosis were observed on the chest X-ray or CT examination.

Transient Adverse Reactions

During both the Placebo-controlled and extension treatment periods of the Phase III clinical trial of Ps, the majority of TEAEs were of Grade 1 or 2 severity, self-limited, and resolved spontaneously within the first week of therapy. The most common adverse reactions associated with Mufemilast were nausea, diarrhea, vomiting, headache, dizziness, and increased frequency of

defecation. Most adverse reactions occurred during the first week of administration, with a low occurrence of adverse events in the subsequent weeks. Mufemilast was found to be safe in long-term studies lasting up to 52 weeks, with no increase in the frequency or type of adverse events.

Summary of Clinical Trials of Mufemilast

Sets forth below a summary of the clinical trials for the development of Mufemilast as of the Latest Practicable Date:

	Study Number of Participants/Site	Endpoints/Study Objectives	Material Results
Phase I			
1.	Phase I, Single ascending dose safety and pharmacokinetics study of Mufemilast in healthy subjects. (HM005PS1S01) 68 China	Safety and pharmacokinetic profile	Objectives met. Plasma exposure (AUC and Cmax) was dose-proportional across the 10 to 125mg dose range. In this study, among 68 healthy male subjects, single oral doses of Mufemilast (HM005) tablets at 10 to 125mg and placebo were generally safe and well tolerated.
2.	Phase I, Multiple ascending dose safety and pharmacokinetics study of Mufemilast in healthy subjects. (HM005PS1S03) 24 China	Safety and pharmacokinetic profile	Objectives met. On Day 1 and Day 9 post-dosing, human exposure to Mufemilast (AUC and Cmax) increased with increasing dose; however, evaluation showed that, within the 15-60mg BID dose range, steady-state plasma exposure (AUC and Cmax) did not exhibit dose proportionality. Multiple oral doses of Mufemilast tablets at 15mg BID, 30mg BID, and 60mg BID were generally safe and well tolerated in healthy Chinese subjects.
3.	Phase I, Safety, tolerability, and pharmacokinetics of single and multiple doses of Mufemilast in healthy subjects. (HM005PS1S04) 12 China	Safety and pharmacokinetic profile	Objectives met. Following oral administration of 75mg investigational drug, the pharmacokinetic profiles were generally consistent between male and female subjects, with no significant differences observed. Mufemilast demonstrated a favorable safety profile.
4.	Phase I, Food effect study of single dose Mufemilast in healthy subjects (two period, crossover). (HM005PS1S02) 12 China	Effect of food on pharmacokinetic profile in healthy subjects	Objectives met. Compared with administration under fasting conditions, consumption of a high-fat meal caused a slight delay in the time to maximum concentration (Tmax) of Mufemilast, but had no significant effect on the extent of absorption (AUC and Cmax) in humans. Following oral administration of 52.5mg Mufemilast tablets under either fasting or fed conditions, safety and tolerability were favorable.

	Study Number of Participants/Site	Endpoints/Study Objectives	Material Results
5.	Phase I Mass balance study in healthy subjects (HM005MB1S01) 6 China	Mass balance of [^{14}C]Mufemilast following a single oral dose in healthy adult Chinese male subjects	Objectives met. Mufemilast is the primary circulating component in plasma, and [^{14}C]-labeled momisid-related materials do not demonstrate significant binding to blood cells. Momisid is metabolized in the human body primarily via the liver, with feces being the main route of excretion, accounting for 64% of the administered dose. The majority of total radioactivity is eliminated within 120 hours (5 days) after administration, during which approximately 90.52% of the administered dose is excreted on average. The principal metabolic pathways of momisid in humans are demethylation or deethylation, followed by further lactam hydrolysis or glucuronidation, with the demethylation pathway accounting for 55.14% of the administered dose.
6.	Phase I, Safety, tolerability, and pharmacokinetics of single and multiple doses of Mufemilast in healthy Caucasian adults (ethnic bridging study). (HM005PS1S05)[(1)] 12 Australia	Primary Objective: To evaluate the safety and tolerability Secondary Objectives: To assess the PK parameters	Objectives met. The PK profile in Caucasians is similar to that in Chinese. Mufemilast (60mg, BID, oral) in Caucasian subjects was safe and well tolerated, with no severe TEAE, significant TEAE, nor TEAE with CTCAE grade_3. There is no evidence for an altered safety profile between different patient populations or ethnic back grounds. No clinically significant abnormality in clinical laboratory test, vital signs and physical examination. The results of the QTC analysis indicated that there was no statistically significant correlation between the QTcF value and the plasma drug concentration.
7.	Phase I, A single-center, randomized, open-label, two-formulation, single-dose, two-period, two-sequence crossover bioequivalence study under fasting conditions in healthy subjects. (HM005PS1S09) 28 China	Primary Pharmacokinetic Endpoints Cmax, AUCo–t, and AUCo–∞ Secondary Pharmacokinetic Endpoints Tmax, T1/2, λz, and AUC_%Extrap Safety assessment: all adverse events occurring in any subject during the clinical study were monitored.	Objectives met. The geometric mean ratios (GMRs) of the pharmacokinetic parameters Cmax, AUCo–t, and AUCo–∞ for Mufemilast between the test and reference formulations were 90.66%, 95.79%, and 96.41%, respectively. The corresponding 90% confidence intervals were 87.57%–93.85% for Cmax, 91.49%–100.30% for AUCo–t, and 92.84%–100.12% for AUCo–∞, all of which fell within the accepted bioequivalence range of 80.00%–125.00%. These results demonstrate that the test and reference formulations are bioequivalent under fasting conditions.
8.	Phase I, pharmacokinetic study of Mufemilast tablets in subjects with mild and moderate hepatic impairment compared to subjects with normal hepatic function (hepatic impairment study to evaluate) (HM005PS1S06)[(2)] 24 China	To assess the PK parameters, in order to provide a scientific basis for clinical dosing recommendations in patients with hepatic impairment	Ongoing as of the Latest Practicable Date, not available

	Study Number of Participants/Site	Endpoints/Study Objectives	Material Results
9.	Phase I, pharmacokinetic study of Mufemilast tablets in subjects with mild and moderate renal impairment compared to subjects with normal renal function (HM005PS1S07)[2] 24 China	To assess the PK parameters, in order to inform clinical dosing recommendations for patients with renal impairment	Ongoing as of the Latest Practicable Date, not available
10. . . .	Phase I, drug-drug interaction study (HM005PS1S08)[2] 20 China	To evaluate the effect of multiple doses of Mufemilast tablets on the pharmacokinetics of midazolam and its active metabolite, α-hydroxymidazolam.	There was no significant pharmacokinetic interaction between midazolam and Mufemilast, and the adverse events observed after coadministration of Mufemilast with midazolam were similar to those known for PDE4 inhibitors. The adverse events were mild, indicating a favorable safety profile.
11. . . .	Phase I, Safety study of multiple oral doses of Mufemilast tablets administered in various doses and by different dosing regimens (titration/non-titration) in healthy adult Chinese subjects (HM005CO1S01)[2] 468 China	Safety of multiple dosing with various dose levels and routes of administration	After drug administration, the incidence of adverse events was slightly higher in the first week; as the body adapted, the incidence decreased markedly in the second week and then stabilized. Different dosing strategies – titration versus non-titration – had no significant impact on the overall incidence of adverse events. To achieve a faster onset and improve clinical efficacy, a non-titration dosing regimen is recommended.
Phase II			
12. . . .	PS Phase II study in patients with moderate-to-severe chronic plaque Ps and a history of psoriasis for _six months; (HM005PS2S01) 216 China	Primary objectives: evaluate the efficacy of Mufemilast versus placebo and to identify an optimal dose for subsequent development. Secondary objectives: (1) characterize and compare the safety and tolerability profiles of the different Mufemilast dosing regimens against placeboand (2) describe the pharmacokinetic properties of Mufemilast in this patient population.	Objectives met. Compared to baseline, the proportions of subjects achieving PASI-75 at Week 16 in the high-, medium-, low-dose, and placebo groups were 46.30%, 25.93%, 18.52%, and 11.11%, respectively. The differences among groups were statistically significant (P=0.0002). Specifically, the difference between the high-dose group and placebo was statistically significant (P<0.0001); the difference between the mediumdose group and placebo was also statistically significant (P=0.0453); while the difference between the low-dose group and placebo was not statistically significant (P=0.2591). For the secondary efficacy endpoints, the proportion of subjects achieving an sPGA score of "clear" (0) or "almost clear" (1) with a reduction of at least 2 points from baseline was evaluated at Weeks 2, 4, 8, 12, 16, 20, 24, 28, 32, 36, 40, 44, 48, 52, and 56, with missing data treated as non-response in the primary analysis. FAS results showed that from Week 8 onward, the Mufemilast high-dose group consistently demonstrated higher sPGA response rates compared to placebo (e.g., Weeks 8, 12, and 16: 11.11% vs. 7.41%, 22.22% vs. 5.56%, and 24.07% vs. 9.26%, respectively), peaking at Week 32 during the extension phase; PPS and sensitivity analyses using LOCF and non-imputation methods confirmed these trends, though the difference became

Study Number of Participants/Site	Endpoints/Study Objectives	Material Results
		apparent from Week 12 without imputation. For PASI-75, response rates increased over time in all dose groups, with a dose-response relationship evident from Week 8 and the high-dose group showing superior efficacy to placebo (Week 8: 29.63% vs. placebo, P=0.0108), peaking at Weeks 36 and 40 (55.56%), with consistent PPS and sensitivity results. PASI-50 response rates also rose over time, with the high-dose group outperforming placebo from Week 4 (31.48% vs. placebo, P=0.0010) and the mid-dose group from Week 8 (37.04% vs. placebo, P=0.0147), reaching a maximum at Weeks 36 and 40 (66.67%); these findings were supported by MMRM and LOCF sensitivity analyses. For PASI-90, the high-dose group surpassed placebo from Week 16 (20.37% vs. placebo, P=0.0125), with the highest rate at Week 32 (33.33%), and sensitivity analyses confirmed a trend from Week 8. Changes in PASI score from baseline were greater in all Mufemilast groups versus placebo, with the largest mean reduction in the high-dose group at Week 40 (15.95 points), demonstrating a dose-response relationship. BSA reductions were significant from Week 12 (adjusted mean change: low-, mid-, high-dose, and placebo: 17.94%, 31.70%, 41.46%, P=0.0022), with the high-dose group showing the greatest decrease at Week 40 (81.26%). Pruritus VAS scores improved more in the mid- and high-dose groups than in the low-dose and placebo groups during the core treatment period (Week 16: 15.36, 22.90, 22.00, and 14.68 points, respectively), with continued benefit in the extension phase. DLQI scores at Week 16 improved more in the mid- and high-dose groups compared to placebo (by 6.1 and 7.1 points, P<0.05), with differences less pronounced after placebo subjects switched to mid-dose. Finally, at Weeks 16, 28, 40, and 52, the proportion of subjects achieving both PASI-75 and sPGA 0 or 1 with at least a 2-point reduction was highest in the high-dose group at Week 16 (24.07% vs. 7.41% for placebo, P=0.0144), and this trend persisted throughout the extension phase, with PPS analyses supporting FAS results.

	Study Number of Participants/Site	Endpoints/Study Objectives	Material Results
13. . . .	BD (Phase II) (HM005BD2S01)	See below.	
14. . . .	AD (Phase II) (HM005AD2S01)	See below.	
15. . . .	AS (Phase II) (HM005AS2S01)	See below.	
16. . . .	UC (Phase II) (HM005UC2S01)	See below.	
	UC (Phase III) (HM005UC3S01)	Primary Objective: To evaluate the efficacy of Hemay005 tablets compared with placebo in inducing clinical remission after 12 weeks of treatment in trial participants with moderate-to-severe active ulcerative colitis (UC).	Planned as of the Latest Practicable Date, not available
17. . . .	PsA (Phase II) study in patients diagnosed with PsA according to the Moll and Wright criteria, including those with symmetric or asymmetric peripheral joint involvement for at least 6 months 276 China	Primary objective: determine optimal clinical dose; preliminarily assess efficacy of Mufemilast 60 mg BID vs 45 mg BID in active PsA Secondary objectives: evaluate safety and tolerability of 60 mg BID and 45 mg BID Characterize population pharmacokinetics (PK) and explore PK/PD exposure–response relationships for both doses	Planned as of the Latest Practicable Date, not available
18. . . .	COPD (Phase II) study in patients diagnosed with severe COPD according to the 2019 GOLD (Global Initiative for Chronic Obstructive Lung Disease) guidelines 90 China	Change from baseline in pre-bronchodilator FEV1 at Week 24 of treatment	ongoing as of the Latest Practicable Date
19. . . .	CD (Phase II) study in patients diagnosed with CD for 3 months at screening, with diagnosis based on clinical presentation and endoscopic evidence, confirmed by histopathology report; patients with active moderate-to-severe CD (CDAI score 220-480) 108 China	Primary objective: assess efficacy of Mufemilast vs placebo in severe CD and explore dose(s) to inform future studies Secondary objectives: compare safety/tolerability of each Mufemilast dose vs placebo and characterize pharmacokinetics (PK) of Mufemilast in severe CD patients	Planned, not available
Phase III			
20. . . .	BD (Phase III) (HM005BD3S01)	See below	
21. . . .	Ps (Phase III) (HM005PS3S01)	See below	

(1). The IND application to NMPA for all indication of Mufemilast did not use the data derived from Phase I clinical trial at Australia (HM005PS1S05). Data from this Phase I clinical trial in Australia was presented in the investigator's brochure in connection with the IND application to FDA.

(2). We are conducting additional Phase I clinical studies in relation to the treatment of Ps. Although these studies are not prerequisites for the progression to Phase II/III clinical trials nor were they specifically requested by NMPA during our communications with them regarding Ps clinical development, they are intended to support potential future regulatory submissions for the expansion of the therapeutic scope of the relevant drug candidates to broader patient populations: specifically, HM005PS1S06 and HM005PS1S07 are being conducted to include patients with hepatic impairment and renal impairment, HM005PS1S08 tests the interaction between Mufemilast and Midazolam so that we may expand the label for patients which have used Midazolam; and HM005CO1S01 evaluates administration via titration, which may provide an alternative method of administration of Mufemilast in addition to the oral route. The Phase I clinical trial for COPD (HM005CO1S01) was specifically conducted to support the Phase II clinical trial application for COPD. The Phase II clinical trial applications for PsA, AS, AD, UC, and CD leveraged the Phase I clinical trial results from the Ps indication and did not include data from HM005CO1S01.

Plaque Ps (Phase III, Pivotal)

Design. The clinical trial was a multicenter, randomized, double-blind, placebo-controlled Phase III study evaluating the safety and efficacy of Mufemilast in patients with chronic plaque Ps. The clinical trial consisted of a screening period, a treatment period (comprising a double-blind placebo-controlled phase and an open-label extension phase), and a follow-up period. The screening period lasted up to 4 weeks. A total of 306 patients with chronic Plaque Ps were planned and enrolled in the placebo-controlled phase and randomized in a 2:1 ratio to receive either Mufemilast (60 mg BID) or placebo, with continuous dosing for 16 weeks during the double-blind placebo-controlled phase.

Upon completion of the 16-week placebo-controlled phase, all patients entered a 36-week open-label extension phase (from Week 16 to Week 52), during which all participants received Mufemilast (60 mg BID). After discontinuation of clinical trial treatment, all participants entered a follow-up period. A population pharmacokinetic, or PPK analysis, was conducted in all patients to investigate the correlation between drug exposure and efficacy and safety. In this study, the PPK characteristics of Mufemilast in psoriasis patients were evaluated. Depression was also designated as an AESI in this clinical trial. Close attention was paid to the emergence or worsening of depression, suicidal ideation, or other mood changes. The HADS scoring system was used to assess depressive adverse events in this clinical trial. Furthermore, patients with negative or inactive tuberculosis status, as confirmed by T-SPOT.TB and other tuberculosis screening methods were enrolled.

The primary efficacy endpoint was the proportion of patients achieving PASI-75 at Week 16. PASI-75 was defined as at least a 75% reduction from baseline in Psoriasis Area and Severity Index (PASI) score, calculated as BaselinePASI–VisitPASI/BaselinePASI)×100%.

Secondary endpoints included static Physician's Global Assessment (sPGA), PASI-90, PASI-50, percentage change in body surface area (BSA) involvement, change in Dermatology Life Quality Index (DLQI) score, safety parameters (including the incidence of adverse events, serious adverse events, adverse events of special interest, vital signs, physical examinations, laboratory tests, chest X-ray/chest CT, 12-lead electrocardiogram, and other protocol-specified safety assessments of clinical significance), as well as PPK parameters, including plasma concentrations of Mufemilast, individual factors affecting pharmacokinetic characteristics, and the correlation between Mufemilast exposure and efficacy and safety in patients.

Progress. The clinical trial was completed in July 2023. A total of 306 patients were enrolled in the clinical trial, including 212 in the treatment group (with one mis-randomized subject excluded from the analysis set) and 94 in the placebo group.

Efficacy. All primary endpoints and certain secondary endpoints were achieved with statistically significant differences. For the primary endpoint, based on the FAS, the proportion of subjects achieving a PASI-75 response at Week 16 was 53.6% (95% confidence interval (CI): 46.58%, 60.43%) in the treatment group, compared to 16.0% (95% CI: 9.22%, 24.95%) in the placebo group. The difference between the two groups was highly statistically significant ($P<0.0001$), with an absolute difference in response rates of 37.6% (95% CI: 26.42%, 47.15%). These results confirm that 16 weeks of Mufemilast treatment alleviates the severity of moderate-to-severe plaque Ps. In addition, the analysis based on the PPS yielded similar results. Based on the FAS, the clinical response rates for each efficacy endpoint at Week 52 were comparable to those observed at Week 16, demonstrating the favorable short-term and long-term efficacy of Mufemilast.

The table below summarizes the efficacy data for Mufemilast in the placebo-controlled phase (Week 16) of the Phase III clinical trial in psoriasis.

Week 16 Efficacy Endpoints	Mufemilast-60mgBID N=211	Placebo N=94
PASI-75 ratio (%)	53.6**	16.0
sPGA improvement rate, %	31.3**	6.4
PASI-50 ratio (%)	82.7**	37.2
PASI-90 ratio (%)	32.5**	5.8
Change in PASI score from baseline, mean (SD)	14.48 (7.883)**	8.21 (8.545)
Percentage change in BSA from baseline, mean (SD)	64.98 (33.467)**	25.57 (36.843)
Change in DLQI score from baseline, mean (SD)	5.40 (5.928)**	2.86 (5.406)
Proportion of subjects achieving both PASI-75 and sPGA improvement, (%)	30.3**	6.4

** Indicates p<0.0001 versus placebo, demonstrating statistical significance.

Safety. Mufemilast demonstrated a manageable safety profile. During the Phase III clinical trial in psoriasis, no deaths occurred, and no drug-related cases of depression were reported. The most common adverse reactions were diarrhea, nausea, vomiting, and headache. The majority of adverse reactions were Grade 1 or 2 in severity. No deaths occurred in any treatment group during the trial. During the placebo-controlled period, adverse events leading to study withdrawal occurred in 12 subjects (5.7%) in the treatment group and 1 subject (1.1%) in the placebo group. Drug-related adverse events leading to withdrawal occurred in 11 subjects (5.2%) in the treatment group and 1 subject (1.1%) in the placebo group. In the treatment group, adverse events of this type occurring in two or more subjects included nausea (1.4%), diarrhea (0.9%), and vomiting (0.9%), all of which resolved. During the open-label extension period, no subjects in either group experienced adverse events leading to drug discontinuation. Only one subject (0.5%) in the treatment group experienced two adverse events — vocal cord paralysis and sleep apnea syndrome — leading to withdrawal, both of which were considered related to Mufemilast.

Depression. Depression is defined as a AESI in this study. During the open-label extension phase, only one subject experienced a single episode of depression, which was assessed as unrelated to Mufemilast. So, no cases of depression related to Mufemilast reported in any subject. During the double-blinded placebo-controlled phase, no cases of depression reported. At Weeks 16, there were no statistically significant differences between the Mufemilast and placebo groups in mean HADS anxiety or depression scores.

Safety in Subjects with Latent Tuberculosis Infection: 105 subjects with LTBI positive were enrolled. No cases of active tuberculosis were observed through 52 weeks of treatment, indicating that Mufemilast demonstrates a high level of safety in patients with latent tuberculosis infection. During the trial period, no clinically significant abnormalities indicative of active tuberculosis were observed on the chest X-ray or CT examination.

PPK. PPK exposure — response analysis showed that the PASI-75 ratio at Week 16 increased with increasing drug exposure. Combined with phase II clinical trial results, the 60 mg BID dose group demonstrated a marked improvement in PASI-75 ratio compared with both the placebo group and the lower dose groups (15 mg BID and 30 mg BID). Therefore, the Mufemilast at a dosage of 60 mg twice daily (BID) was considered to provide an optimal efficacy and safety profile.

Below sets forth the summary of the AEs, SAEs, and AESIs during the Placebo-controlled and open-label extension period:

	Placebo-Controlled Period (0–16 weeks)		Extension Period (16–56 weeks)	
	Mufemilast (N=211)	Placebo (N=94)	Mufemilast (N=211)	Placebo → Mufemilast (N=94)
Patients with any AE	174 (82.5)	61 (64.9)	165 (78.2)	72 (76.6)
Drug-related AEs	139 (65.9)	36 (38.3)	95 (45.0)	53 (56.4)

	Placebo-Controlled Period (0–16 weeks)		Extension Period (16–56 weeks)	
	Mufemilast (N=211)	Placebo (N=94)	Mufemilast (N=211)	Placebo → Mufemilast (N=94)
Grade ≥3 AEs	8 (3.8)	1 (1.1)	10 (4.7)	5 (5.3)
Drug-related Grade ≥3 AEs	3 (1.4)	1 (1.1)	2 (0.9)	3 (3.2)
SAE	3 (1.4)	0 (0)	10 (4.7)	4 (4.3)
Drug-related SAE	0 (0)	0 (0)	2 (0.9)	2 (2.1)
AEs leading to dose interruption/modification	26 (12.3)	4 (4.3)	19 (9.0)	10 (10.6)
Drug-related AEs leading to dose interruption/modification	24 (11.4)	1 (1.1)	7 (3.3)	7 (7.4)
AEs leading to drug discontinuation	7 (3.3)	0 (0)	0 (0)	0 (0)
Drug-related AEs leading to discontinuation	7 (3.3)	0 (0)	0 (0)	0 (0)
AEs leading to withdrawal from study	12 (5.7)	1 (1.1)	1 (0.5)	0 (0)
Drug-related AEs leading to withdrawal from study	11 (5.2)	1 (1.1)	1 (0.5)	0 (0)
Adverse Events of Special Interest (AESI)	9 (4.3)	4 (4.3)	23 (10.9)	12 (12.8)

(1). Numbers in parentheses are percentages of the group (n/N × 100%).

(2). AESI = Adverse Events of Special Interest.

(3). SAE = Serious Adverse Event.

BD (Phase III)

Design. The clinical trial is a multicenter, randomized, double-blind, placebo-controlled, parallel-group Phase III clinical trial evaluating the efficacy and safety of Mufemilast in patients with BD. The trial plans to enroll 162 subjects at 30 clinical centers in China. The trial is divided into four stages: screening period, core-treatment period, extended period, and follow-up observation period. The screening phase lasts up to 8 weeks before baseline visits. During the placebo-controlled phase, eligible BD patients will be randomized into three groups — Mufemilast 45 mg twice daily (BID), 60 mg BID, and placebo — in a 1:1:1 ratio. Subjects will first undergo a 7-day dose titration phase then receive stable doses till to 12 weeks. Following the placebo-controlled phase, all subjects will enter a 40-week extension phase, maintaining their initial dosages in the trial groups. Placebo recipients will then be re-randomized into the two treatment groups (1:1 ratio). During the first week of the extension phase, placebo group subjects will undergo a dose titration phase. The trial concludes with a 4-week follow-up observation post-treatment for all subjects, including those who drop out early.

Objectives. The primary aim is to evaluate the efficacy of Mufemilast in treating BD with a placebo-controlled and parallel-group approach. The key efficacy endpoint is the Area Under the Curve (AUC) for oral ulcer count from baseline through Week 12. Secondary endpoints include assessing complete remission rates for oral and genital ulcers at Weeks 12, 22, 32, 42, and 52; ulcer pain (via VAS scores); BD activity scores (BDCAF, BSAS); skin lesion static Physician Global Assessment (PGA); quality of life scores (BD-QoL, SF-36); peripheral joint counts; DAIBD scores; inflammatory markers (CRP, ESR); and eye-related metrics (corrected visual acuity, slit-lamp/fundoscopic examination). Safety endpoints include the type, frequency, and severity of adverse events (AEs) and their relationship with Mufemilast; the number of participants who terminate treatment due to AEs; and clinically significant changes in vital signs, weight, laboratory tests, physical exams, and 12-lead ECG results.

Progress. The trial commenced on November 22, 2023, and all enrollment has completed as of the Latest Practicable Date.

BD (Phase II)

Design. This clinical trial was a multicenter, randomized, double-blind, placebo-controlled, parallel-group Phase II study, divided into four phases: a screening period, a core-treatment period, an extended treatment period, and a follow-up observation period. The screening period lasted up to six weeks. In the placebo-controlled period, eligible patients with BD are randomly assigned in a 2:2:1:1 ratio to the Mufemilast 60mg BID high-dose group, the 45mg BID low-dose group, the placebo (placebo-controlled period) + 60mg BID (extension period), or the placebo (placebo-controlled period) + 45mg BID (extension period). The drug was administered twice daily for 12 weeks, with stratification by the number of oral ulcers and gender to balance differences among groups. After the placebo-controlled period, all participants entered a 12-week extended treatment period, during which the original high- and low-dose groups maintained their respective dosages, and the original placebo group transitioned to the assigned dosage group for continued administration, maintaining the blind status. Finally, after completing the extended treatment period, all participants (including those who exited early) underwent a four-week follow-up period.

Endpoints. The primary efficacy endpoint of the trial was the area under the curve (AUC) for the number of oral ulcers in BD patients from baseline to week 12 of treatment. Secondary efficacy endpoints included the proportion of patients achieving complete remission of oral ulcers by week six and maintaining remission for six weeks, complete response rate at different treatment time points, changes in oral ulcer pain scores, or VAS, compared to baseline, healing time of oral ulcers, recurrence rates, changes in the physician global assessment, or PGA, for patients with skin lesions, BD current activity index, or BDCAF, multidimensional health assessment questionnaire, or MDHAQ, health survey short form, or SF-36, complete remission rate of genital ulcers, changes in genital ulcer pain VAS scores, changes in Birmingham vasculitis activity score, or BVAS, and pharmacokinetic, or PK, parameters. Safety endpoints included adverse events (AE) types, frequency, severity, and relationship to Mufemilast, the number of participants who terminated the trial early due to adverse events, and clinically significant changes in vital signs, weight, and laboratory tests.

Progress. The clinical trial was completed on April 30, 2022, and involved 90 participants successfully randomized.

Efficacy. All primary endpoints and certain secondary endpoints were achieved with statistically significant differences. Mufemilast demonstrated promising therapeutic effects for BD patients. Regarding the primary efficacy endpoint, the results based on the FAS show that, compared to placebo, Mufemilast 45mg BID and 60mg BID groups had mean AUC values of 103.9 (±18.81) and 66.1 (±17.74), respectively, while the placebo group had a mean AUC of 208.7 (±18.05). According to the ANCOVA model, the least square mean differences between Mufemilast 45mg BID group and placebo were -104.8(±25.91)($p<0.0001$), and between Mufemilast 60mg BID group and placebo were -142.5(±25.07)($p<0.0001$), indicating significant statistical differences in reducing the AUC for oral ulcers from baseline to week 12 of treatment for both Mufemilast doses. Regarding secondary efficacy endpoints, Mufemilast 60mg BID and 45mg twice daily (BID) showed significant improvements compared to placebo in several measures.

Below is a summary table of Mufemilast's efficacy data in the phase II trial for BD:

	45mgBID (N=29)	60mgBID (N=31)	Placebo (N=30)
Primary Efficacy Endpoint:			
Area under the curve (AUC) for the number of oral ulcers in BD patients from baseline to Week 12 of treatment, least squares mean (SE)	103.9 (18.81)*	66.1 (17.74)*	208.7 (18.05)
Secondary Efficacy Endpoints:			
Change from baseline in oral ulcer VAS score at Week 12 of treatment, mean (SD)	-46.42 (22.134)#	-36.91 (24.988)#	-28.01 (31.667)
Change from baseline in the number of oral ulcers at Week 12 of treatment, mean (SD)	-2.7 (1.00)#	-2.9 (1.47)#	-1.7 (1.85)

	45mgBID (N=29)	60mgBID (N=31)	Placebo (N=30)
Proportion of subjects who achieved complete resolution of oral ulcers (no oral ulcers) at Week 6 during the placebo-controlled period and maintained complete resolution for at least 6 weeks, number (%)	8/29 (27.6)#	12/31 (38.7)*	1/30 (3.3)
Complete resolution rate of oral ulcers (proportion of subjects without oral ulcers) a			
Day 3, number (%)	5/29 (17.24)#	3/31 (9.68)#	0
Day 7, number (%)	8/29 (27.59)#	10/31 (32.26)#	1/30 (3.33)
Proportion of subjects who achieved first complete resolution and maintained complete resolution of oral ulcers during the placebo-controlled period, number (%)	10/29 (34.5)#	16/31 (51.6)#	4/30 (13.3)
Median time to oral ulcer healing, days	16#	15*	NA

* indicates $p < 0.0001$ versus placebo group

\# indicates $p < 0.05$ versus placebo group

Safety. Mufemilast demonstrated a manageable safety profile. The most common adverse drug reactions (ADRs) observed throughout the clinical trial were nausea, diarrhea, vomiting, dizziness, and headache, which were primarily mild to moderate in severity. No drug-related SAEs or deaths were reported.

Depression: Depression and infections requiring pharmacological intervention were designated as AESI. During the placebo-controlled period, a total of 7 subjects reported AESIs, all of which were infections and infestations; no serious AESIs occurred, and no cases of depression were reported. Throughout the entire treatment period, no cases of depression were reported.

The table below summarizes the adverse events during the placebo-controlled period:

Summary of TEAEs in the SS Population During the Placebo-Controlled Period

	Placebo-Controlled Period (Weeks 0–12)			
	45 mg BID (N=29)	60 mg BID (N=30)	45 mg BID + 60 mg BID (N=59)	Placebo (N=30)
	n (%)	*n (%)*	*n (%)*	*n (%)*
Any TEAE	26 (89.7)	29 (96.7)	55 (93.2)	21 (70.0)
Drug-related TEAE	20 (69.0)	27 (90.0)	47 (79.7)	8 (26.7)
SAE	0	0	0	0
Drug-related SAE	0	0	0	0
Severe TEAE	0	1 (3.3)	1 (1.7)	0
Drug-related Severe TEAE	0	0	0	0
TEAE leading to discontinuation	2 (6.9)	2 (6.7)	4 (6.8)	1 (3.3)
Drug-related TEAE leading to discontinuation	2 (6.9)	2 (6.7)	4 (6.8)	0
TEAE leading to withdrawal from study	2 (6.9)	3 (10.0)	5 (8.5)	1 (3.3)
Drug-related TEAE leading to withdrawal from study	2 (6.9)	3 (10.0)	5 (8.5)	0
AESI	3 (10.3)	1 (3.3)	4 (6.8)	3 (10.0)

Abbreviation: SAE = serious adverse event; TEAE = an AE that emerges during treatment having been absent pre-treatment, or worsens relative to the pre-treatment state; AESI = Adverse Event of Special Interest

The Safety Set (SS) includes all subjects who received at least one dose of the investigational product and had available safety data.

Pharmacokinetics studies. Based on the population PKK model established using PK data from previous Phase II and Phase III Ps clinical trials as well as this clinical trial, the model followed a one-compartment structure with first-order absorption and linear elimination. The clinical trials found no PK differences between patients with Ps and those with BD. Baseline creatinine clearance, CrCL, was identified as a potential covariate influencing drug elimination, with higher CrCL associated with faster drug clearance. The study showed that, as exposure increased, the 12-week area under the curve (AUC) for the number of oral ulcers exhibited a decreasing trend. Within the treatment groups, there was no strong correlation between drug exposure and efficacy. The incidence of ADRs such as nausea, headache, and diarrhea showed an increasing trend over a 12 week period.

UC (Phase II)

Design. The clinical trial is a multicenter, randomized, double-blind, placebo-controlled parallel-group, evaluating the efficacy and safety of Mufemilast in patients with moderate-to-severe UC. The clinical trial consists of four phases: a screening period, a double-blinded treatment period, an extension treatment period, and a follow-up period. The screening period lasts up to three weeks. A total of 108 patients with UC were planned to be enrolled and randomized in a 1:1:1 ratio into three groups: Mufemilast 45 mg BID, 60 mg BID, and placebo.

Objectives. The primary objective of this clinical trial is to evaluate the efficacy of different dosing regimens of Mufemilast in patients with UC. The primary efficacy endpoint is the clinical remission rate at Week 12. Secondary efficacy endpoints include the clinical remission rate at Week 24, clinical response rates at Weeks 12 and 24, changes of Mayo score from baseline at Weeks 4 to 28, mucosal healing (MH) rates at Weeks 12 and 24, and changes in quality of life as measured by the Inflammatory Bowel Disease Questionnaire, or IBDQ, at Weeks 12 and 24. Assessment of endoscopic scores will be made by a blinded central reading committee.

Progress. The trial was initiated in March 2023 and is currently ongoing. As of the Latest Practicable Date, enrollment of 92 subjects has been completed, and the full clinical trial report is expected to be completed in the third quarter of 2026. For the placebo-controlled phase, Mufemilast has demonstrated statistically significant improvements in clinical remission rates at Week 12 compared to placebo across both the FAS and the PPS. The 60 mg BID dose demonstrated a higher remission rate trend compared to the 45 mg BID dose across both analysis sets, and the consistency between the FAS and PPS analyses supports the robustness of these findings. Mufemilast also showed overall good safety and tolerability.

AD (Phase II)

Design. This clinical trial is a multicenter, randomized, double-blind, placebo-controlled Phase II study evaluating the efficacy and safety of Mufemilast in patients with moderate-to-severe atopic dermatitis (AD). The study consists of three phases: a screening period, a treatment period, and a follow-up period. The screening period lasts up to 28 days. A total of 105 subjects were planned to be enrolled and randomized in a 1:1:1 ratio into three groups: Mufemilast 60 mg BID, Mufemilast 75 mg BID, and placebo. During the first 6 days of the treatment period, subjects underwent dose titration, followed by a fixed-dose regimen from Day 7 onward. The treatment period lasted for 84 days (12 weeks). After completion or discontinuation of treatment, all subjects entered a 28-day (4-week) follow-up period.

Objectives. The primary objective of this study is to evaluate the efficacy of Mufemilast tablets compared to placebo in patients with AD. The secondary objectives are to assess the safety and the pharmacokinetic profile of Mufemilast in patients with AD.

Progress. This Phase II clinical trial was complete. The final clinical trial report will be issued after the CRO confirmed the clinical trial report, pending their receipt of final payment.

AS (Phase II)

In August 2023, we successfully completed a multicenter, randomized, double-blind, placebo-controlled Phase II clinical trial evaluating Mufemilast for the treatment of active ankylosing spondylitis. The study was designed to assess the efficacy and safety of Mufemilast. A total of 90 subjects were enrolled and randomized in a 1:1:1 ratio into three groups: Mufemilast 60 mg BID, 75 mg BID, and placebo. The primary efficacy endpoint defined as the proportion of

patients achieving at least a 20% improvement according to the Assessment of Spondylo-arthritis International Society (ASAS20) at Week 16. Clinical summary reports indicated that both the 60 mg and 75 mg Mufemilast groups demonstrated a favorable trend toward higher ASAS20 response rates compared to placebo. However, the overall trial results did not achieve statistically significant clinical endpoints. During the study, the incidence of TEAE and ADR in the Treatment groups did not show statistically significant differences compared to the placebo group. As a result, further development of this indication has been put on hold as we focus our resources on other indications with more promising outcomes.

Material Communications with Competent Authorities

The following table sets forth details of our material communications with competent authorities for our ongoing and completed clinical trials as of the Latest Practicable Date. Overall, the competent authorities did not require any revisions or impose any conditions impacting the expected major safety and efficacy parameters as stated in the IND application or the overall design of the ongoing and completed clinical trials, and their suggestions of focus (if any) are included below where applicable.

Study	Phase	Competent Authority (Study Site)	IND Approval Date (YYYY-MM-DD)	Status	Details of Communication
Ps					
HM005PS1S01	I	NMPA (China)	2015-07-31	Completed	(1) We filed an IND application with the NMPA for the clinical development of Mufemilast for the treatment of Ps. In July 2015, the NPMA approved the commencement of clinical trials and recommended that we refined our trial design to include overall safety monitoring protocol. This IND approval is applicable to all phases of clinical trials of Mufemilast for the treatment of Ps carried out in China. (2) Between March and April 2019, we communicated with CDE in respect of Phase II exploratory study to evaluate the efficacy and safety of Mufemilast tablets in patients with moderate to severe chronic plaque Ps. CDE agreed with the overall design and dosing rationale, but stressed the need for further dose exploration, reference to PK/PD data, and strict risk controls. (3) In December 2021, we requested for a meeting with CDE to obtain approval for the commencement of Phase III clinical trial. CDE provided written feedback in support of the commencement of Phase III clinical trial and enrolment of patients.
HM005PS1S03	I	NMPA (China)	2015-07-31	Completed	
HM005PS1S04	I	NMPA (China)	2015-07-31	Completed	
HM005PS1S02	I	NMPA (China)	2015-07-31	Completed	
HM005MB1S01	I	NMPA (China)	2015-07-31	Completed	
HM005PS1S05	I	TGA (Australia)	2023-05-30[1]	Completed	
HM005PS2S01	II	NMPA (China)	2015-07-31	Completed	
HM005PS3S01	III	NMPA (China)	2015-07-31	Completed	

Study	Phase	Competent Authority (Study Site)	IND Approval Date (YYYY-MM-DD)	Status	Details of Communication
					(4) In April 6, 2023, we obtained the 1.0 version of core study report (CSR) for our Phase III clinical trial of Mufemilast for the treatment of Ps. Subsequently, on July 5, 2023, we submitted a pre-NDA application to the CDE of the NMPA and the CDE agreed to hold a pre-NDA meeting. Following the pre-NDA meeting, the CDE provided written feedback indicating that the submitted data demonstrated the clinical advantage of Mufemilast. The CDE noted that our submission generally met the requirements of the Drug Registration Administration Measures and the Announcement on the Release of Three Documents Including the Breakthrough Therapy Drug Review Procedures (Trial) (NMPA Announcement No. 82 of 2020). The CDE preliminarily suggested that Mufemilast may be considered for inclusion in the priority review and approval process under the category of "innovative drugs and improved new drugs for clinical urgent and rare diseases, or for the prevention and treatment of major infectious diseases and rare diseases." The CDE also requested that, at the time of NDA submission, we monitor the progress of new drug approvals for Ps and assess whether Mufemilast continues to meet the criteria for priority review. In addition, the CDE provided certain recommendations and requests in connection with our proposed NDA submission. (5) On May 30, 2023the Human Research Ethics committee confirmed that it had scientifically and ethically reviewed and approved the Phase I trial (HM005PS1S05). (6) In December 2023, we obtained the final Phase III CSR report. We submitted the NDA application on March 21, 2024. In April 2024, CDE acknowledged the receipt of our NDA application and publicly announced its priority review status in May 2024. In September 2025, the NMPA approved the NDA application for Mufemilast for the treatment of moderate to severe plaque Ps.
BD					
HM005BD2S01 . . .	II	NMPA (China)	2020-01-03	Completed	(1) We filed an IND application with the NMPA for the clinical development of Mufemilast for the treatment of BD, the NMPA accepted our IND application in October 2019. In January 2020, the NMPA approved the commencement of clinical trials and recommended that we refined our trial design.[2] This IND approval is applicable to all phases of clinical trials of Mufemilast for the treatment of BD carried out in China[7].
HM005BD3S01 . . .	III	NMPA (China)		Ongoing	

Study	Phase	Competent Authority (Study Site)	IND Approval Date (YYYY-MM-DD)	Status	Details of Communication
					(2) In June 2022, we had a meeting with the CDE to discuss the proposed Phase III clinical trial design for Mufemilast in patients with BD. The CDE provided recommendations and refinements to the clinical trial design.(3) (3) In accordance with the CDE's requirements, we revised the Phase III clinical trial protocol and submitted the updated versions to the CDE in July 2022 and September 2022, respectively. (4) In October 2022, the CDE provided feedback agreeing to the initiation of the pivotal Phase III clinical trial evaluating the efficacy and safety of Mufemilast in patients with BD, with the 45 mg BID and 60 mg BID dosing groups included in the study.
AS					
HM005AS2S01	II	NMPA (China)	2020-07-27	Completed	(1) We filed an IND application with the NMPA for the clinical development of Mufemilast for the treatment of AS, the NMPA accepted our IND application in May 2020. In July 2020, the NMPA approved the commencement of clinical trials with recommendations on the clinical development plan.(4) This IND approval is applicable to all phases of clinical trials of Mufemilast for the treatment of moderate to severe AS carried out in China(7).
AD					
HM005AD2S01 . . .	II	NMPA (China)	2020-09-04	Ongoing	(1) We filed an IND application with the NMPA for the clinical development of Mufemilast for the treatment of AD, the NMPA accepted our IND application in June 2020. In September 2020, the NMPA approved the commencement of clinical trials with recommendations on the clinical development plan.(5) This IND approval is applicable to all phases of clinical trials of Mufemilast for the treatment of moderate to severe AD carried out in China(7).
UC					
HM005UC2S01 . . .	II	NMPA (China)	2021-12-31	Ongoing	(1) We filed IND application with the NMPA for the clinical development of Mufemilast for the treatment of UC, the NMPA accepted our IND application in October 2021. In December 2021, the NMPA approved the commencement of clinical trials based on the submitted study design. This IND approval is applicable to all phases of clinical trials of Mufemilast for the treatment of moderate to severe UC carried out in China(7).
UC					
HM005UC3S01 . . .	III	NMPA (China)	2021-12-31	Planned	NMPA has approved the protocol for phase III in January 2026. We have finalized the protocol in February 2026.

Study	Phase	Competent Authority (Study Site)	IND Approval Date (YYYY-MM-DD)	Status	Details of Communication
PsA					
	II	NMPA (China)	2023-04-03	Planned	(1) We filed an IND application with the NMPA for the clinical development of Mufemilast for the treatment of PsA, the NMPA accepted our IND application in January 2023. In April 2023, the NMPA approved the commencement of clinical trials and recommended that we refined our trial design.[6] This IND approval is applicable to all phases of clinical trials of Mufemilast for the treatment of moderate to severe PsA carried out in China[7].

Notes:

(1) This is the date of approval of our clinical trial by Therapeutic Goods Administration (TGA). The IND relates to the Phase I trial (HM005PS1S05) only.

(2) The areas of focus for refinement include revising the clinical trial protocol for BD based on completed in vitro pharmacology studies, reference drugs, recommended dosing regimens, and patient characteristics, with particular attention to the rationale and safety of the 60mg BID dosing group, as well as the selection of appropriate PK/PD markers to inform future dose selection.

(3) During this meeting, the CDE requested that the titration dosing regimen be further refined and recommended that the Phase III study include two dosing groups: 45 mg and 60 mg. In accordance with the CDE's requirements, we revised the Phase III clinical trial protocol and submitted the updated versions to the CDE on July 13, 2022 and September 2, 2022, respectively. On October 25, 2022, the CDE provided feedback agreeing to the initiation of the pivotal Phase III clinical trial evaluating the efficacy and safety of Mufemilast in patients with BD, with the 45 mg BID and 60 mg BID dosing groups included in the study.

(4) NMPA recommended the need for a systematic analysis of PK/PD, safety, and efficacy data, with particular attention to the scientific rationale and safety of the 60mg BID dosing group. Additionally, NMPA suggested including multiple dose groups and a positive control group in the AS multiple dosing trial to better inform dose selection for future pivotal studies.

(5) Key areas of refinement for clinical development include evaluating the scientific rationale for the 60mg BID dosing regimen based on PK/PD, safety, and efficacy data from healthy volunteers and patients, and considering the exploration of multiple dosing regimens. For the proposed phase II clinical trial in AD, the inclusion of women of childbearing potential requires further reproductive toxicity data in two animal species and strict contraception measures, in line with ICH M3(R2) guidelines. Additionally, further nonclinical studies are needed to support longer or larger clinical trials, including completion of reproductive toxicity studies and extending safety data to match future clinical trial durations.

(6) The areas of focus for refinement include further discussion and revision of the clinical trial protocol, specifically regarding the rationale for the 60mg BID dosing group, as well as the selection of appropriate PK/PD markers to inform future dose selection in subsequent clinical trials.

(7) We directly commenced or plan to directly commence a Phase II clinical trial of PsA, AS, AD, UC, COPD and CD by leveraging the Phase I clinical trial results of Ps in healthy subjects. Phase I clinical trials are typically conducted in healthy volunteers to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of a drug candidate. These objectives are generally consistent across indications and are not disease-specific. Accordingly, the Phase I clinical data generated from healthy subjects in the Ps trial were deemed sufficient to support the initiation of Phase II trials in these additional indications without the need to conduct separate Phase I studies for each. In each case, we have conducted, and will continue to conduct, such clinical development activities in consultation with, and subject to the requisite approvals from, the CDE of NMPA. As advised by our PRC Legal Advisor, there is no mandatory provision under applicable PRC laws and regulations requiring that a separate Phase I clinical trial must be conducted for each new indication, provided that the existing data are sufficient to support the safety and pharmacokinetic profile of the drug candidate. See "Regulatory Overview — PRC Laws and Regulations — Laws and Regulations in Relation to New Drugs — Phases of Clinical Trials" for details.

Commercialization and Clinical Development Plan

Mufemilast has been approved for commercialization in China for the treatment of moderate to severe plaque Ps. Commercial manufacturing is planned at our Ganzhou Manufacturing Facility, and marketing and sales will be executed by a dedicated commercialization team.

The success of our commercialization plan will depend on a variety of critical factors, including: (i) timely regulatory approval and successful NRDL application, with price management to ensure patient affordability; (ii) effective execution of the dual-channel commercialization model (direct sales and CSOs) to achieve broad market coverage and patient access; (iii) robust commercial channel management to ensure smooth distribution and healthy cash flow; (iv) efficient

hospital access and reimbursement support in both direct sales and CSO-covered regions; (v) establishment of a high-quality, well-structured marketing team, effective engagement of key opinion leaders, comprehensive physician and patient education, and expansion of the long-term treatment patient base; (vi) building awareness and a patient base for follow-on indications, such as BD and UC; (vii) maintaining a robust internal compliance and promotional system to support sustainable marketing; and (viii) integration of artificial intelligence tools and new media marketing strategies. However, there can be no assurance regarding the timing, further requirements, or ultimate outcome of the new drug approval process. For further details, see "Risk Factors — Risks Relating to Our Business — Risks Relating to Pre-Clinical and Clinical Development of Our Drug Candidates."

Commercialization Strategy

We intend to adopt a dual commercialization approach, combining direct sales with collaboration with third-party contract sales organizations ("**CSO**s"). Our in-house sales force in China is expected to reach approximately 80-85 members within one year of launch, covering key functions such as sales, medical affairs, commercial channel management, and market access. Simultaneously, we plan to selectively partner with CSOs with robust networks in dermatology, rheumatology, and gastroenterology to rapidly expand our reach to additional target markets and hospitals.

Our direct sales team is expected to reach approximately 80-85 members and will focus on 160-200 leading hospitals nationwide, targeting key opinion leader (KOL) institutions. In 2026, we aim to engage 30 to 40 target hospitals during the self-pay period, focusing on KOL institutions in key cities such as Beijing, Tianjin, Shanghai, and Hangzhou, and those involved in our clinical trials. To support this, we plan to recruit direct sales team members with prior experience and established connections with KOL institutions in these major cities. In 2027, we will expand to an additional 120-160 hospitals (NRDL reimbursement period). Through CSO partnerships, we expect to cover 500-800 hospitals outside the core KOL network, with staged targets for 2026 and 2027.

Pricing Strategy

We have formulated a pricing strategy for Mufemilast that reflects its differentiated clinical value, multi-indication potential, and competitive positioning in the autoimmune disease treatment landscape. Our pricing approach is anchored in a holistic approach model, which considers not only the benchmark pricing of the first approved indication — moderate to severe plaque Ps — but also the anticipated market value of subsequent indications such as BD and UC.

In the Ps treatment market, Mufemilast offers a unique advantage as the only drug clinically validated for use in patients with latent tuberculosis infection, without requiring pre-treatment screening or therapy. According to F&S, approximately 0.6 million Ps patients in China tested positive for tuberculosis in 2024. This differentiation is expected to be a key commercial entry point.

We intend to set the initial commercial price of Mufemilast with reference to existing targeted therapies. For example, the annual treatment cost of deucravacitinib (brand name: Sotyktu), a small-molecule drug, was RMB52,735, while ustekinumab (brand name: Stelara), a biologic, was RMB239,700 at the time of launch in China. Taking into account Mufemilast's clinical advantages and broader indication potential, we aim to establish a price point that reflects its long-term market value while ensuring patient accessibility. We believe the proposed initial annual treatment cost may be set higher than deuterated deucravacitinib (brand name: Sotyktu) but below the biologic ustekinumab (brand name: Stelara). Furthermore, to broaden patient access, we consider that the initial annual treatment cost may be set at no more than one-half of the price of ustekinumab (i.e. from RMB52,735 to RMB119,850).

Following launch, we plan to actively pursue inclusion in the National Reimbursement Drug List (NRDL) through negotiation with the National Healthcare Security Administration. Pricing adjustments will be made in response to regulatory feedback and market dynamics to achieve a balance between clinical value, patient access, and commercial sustainability. Should NRDL inclusion not be achieved as planned, we will adjust our pricing and commercialization approach to maintain patient access and market uptake during the self-pay period, while continuing to advance market education and support initiatives.

Indication Expansion and Clinical Development

Beyond Ps, Mufemilast has multiple follow-on indications in development. A Phase III clinical trial for BD is ongoing, and a Phase II trial for UC is expected to complete in 2025. Each of these indications represents a market with unmet clinical needs, and our commercialization strategy will comprehensively address multi-indication market opportunities.

NRDL Inclusion Efforts

We plan to participate in the 2026 NRDL price negotiation, targeting reimbursement implementation in 2027. Our efforts to secure NRDL inclusion include: (i) Closely monitoring and analyzing the 2025 NRDL policy and outcomes to inform our 2026 strategy. (ii) Initiating health economics and outcomes research (HEOR), including cost-effectiveness and budget impact analyses, in early 2026, and engaging with HEOR experts. (iii) Collaborating with sales teams and third-party firms to secure clinical expert support and recognition; (iv) Engaging with national and regional NRDL experts, preparing and submitting all required application materials within stipulated timelines; and (v) Preparing contingency plans and participating in face-to-face NRDL negotiations as required.

Should NRDL inclusion not be achieved as planned, we will adjust our pricing and commercialization approach to ensure patient access and market uptake during the self-pay period, while continuing to advance market education and support initiatives.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET MUFEMILAST SUCCESSFULLY.

Hemay022

Hemay022 is a EGFR/HER2 dual-target small-molecule irreversible inhibitor with global rights. It is classified as a Class 1 innovative drug. As of the Latest Practicable Date, Hemay022 is undergoing a Phase III clinical trial in China in combination with aromatase inhibitors for the treatment of ER+/HER2+ advanced breast cancer patients.

Summary of Key Developments

The table below sets out the key developmental milestones of all ongoing and planned clinical programs of Hemay022 in China as of the Latest Practicable Date:

Time	Milestone
August 2014	IND approval obtained
October 2015 to August 2020	Phase Ia (Dose Escalation) completed
March 2018 to June 2022	Phase Ib (Combination with Endocrine Therapy) completed
December 2020 to January 2021	Phase I (Food Effect) completed
January 2022 to current	Phase III (Combination Therapies with Aromatase Inhibitor): - Initiated: January 2022[(1)] - Expected completion: 2027
Planned	Submission of NDA application expected to be made in 2027[(2)]

Notes:

(1) We anticipate completing enrollment by the end of 2026. We commenced the Phase III trial of Hemay022 in January 2022 before the completion of the Phase Ib trial in June 2022. We had obtained critical safety and pharmacokinetic data from earlier studies, which enabled us to proceed with Phase III in consultation with the CDE. This approach allows us to accelerate development timelines and optimize resource allocation without compromising scientific integrity or patient safety.

(2) We plan to submit an NDA to the NMPA in 2027. We plan to allocate approximately [**REDACTED**]% or HK$[**REDACTED**] million of the [**REDACTED**] of the [**REDACTED**] for the ongoing phase III clinical trials of Hemay022. See "Future Plans and [**REDACTED**]" for details.

Due to intense competition for patient recruitment, enrollment for the Phase III clinical trial of Hemay022 for advanced ER+/HER2+ breast cancer has been slower than anticipated. As of the Latest Practicable Date, 212 of the planned 339 subjects have been enrolled. Consequently, the development timeline has been revised, with patient enrollment now expected to be completed by the end of 2026, followed by an NDA submission to the NMPA in 2027.

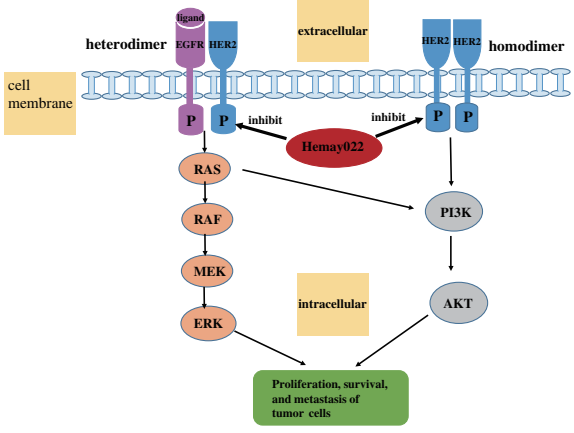
To mitigate the slowdown, we have increased investment and implemented a multi-pronged patient recruitment strategy. This includes enhancing site-level coordination and investigator engagement, systematic task allocation to clinical research staff, continuous monitoring of competing studies, and expanding patient outreach through broader referral networks, multi-channel promotions, and the engagement of professional recruitment firms. Based on these measures, our Directors are of the view that the updated development plan and timeline are feasible.

Mechanism of Action

HER2 is a member of the receptor tyrosine kinase HER family, which also includes EGFR (HER1), HER3, and HER4. The receptor tyrosine kinase HER family plays a crucial role in various stages of cell growth. Under normal conditions, the binding of ligands to receptors induces heterodimerization of EGFR, HER2, and other family members, thereby activating signaling pathways such as MAPK and PI3K, which promote cell proliferation and prevent apoptosis. However, overexpression of EGFR can promote tumor cell formation, proliferation, adhesion, metastasis, and angiogenesis. Similarly, overexpression of HER2 leads to abnormal rapid cell growth due to excessive stimulation, ultimately resulting in cancer development. Hemay022 exerts its effects by forming irreversible covalent bonds with EGFR and HER2, thereby inhibiting the signal transduction of the PI3K/Akt and MAPK pathways. This results in a series of biological effects, including the inhibition of tumor cell proliferation and metastasis, as well as the promotion of tumor cell apoptosis.

Breast cancer is also a hormone-dependent tumor, primarily regulated by estrogen and progesterone. Most breast cancer patients have cancer cells that express estrogen receptors (ER). When estrogen binds to these receptors, it activates them, stimulating the growth and proliferation of cancer cells. Endocrine therapies effectively inhibit the growth and proliferation of breast cancer cells by reducing estrogen levels in the patient.

Hemay022, when used in combination with aromatase inhibitors, exerts its anti-tumor effects by inhibiting the abnormal activation of HER2 and EGFR while simultaneously reducing estrogen secretion. In addition, in ER+/HER2+ breast cancer patients, combining Hemay022 with endocrine therapy helps delay the development of acquired resistance.



EGFR: epidermal growth factor receptor; HER2: human epidermal growth factor receptor 2; P: phosphorylation; RAS: rat sarcoma protein; RAF (MAP3K): mitogen-activated protein kinase kinase kinase; MEK (MAP2K): mitogen-activated protein kinase kinase; PI3K: phosphatidylinositol 3-kinase; ERK: extracellular regulated protein kinases; AKT: protein kinase B;

Features and Advantages of Hemay022

Encouraging-Efficacy, Manageable-Toxicity Irreversible Tyrosine Kinase (TK) Inhibitors

According to F&S, compared to reversible TK inhibitors, irreversible TK inhibitors have the advantages of selectivity and prolonged pharmacological effects, which can slow or prevent the development of acquired resistance. However, the reactive domains in irreversible TK inhibitors can potentially cause off-target toxicity. By introducing a tetrahydrofuran ring to increase steric hindrance and reduce the reaction speed of the Michael acceptor, a substructure of Hemay022, and the thiol group on the amino acid residue of tyrosine kinase, we managed to retain activity while reducing toxicity. This led to our development of Hemay022, a manageable-toxicity, encouraging-efficacy irreversible TK inhibitor, after a series of modifications and screenings.

In preclinical studies, comparisons were made with reversible TK inhibitor lapatinib and irreversible TK inhibitor neratinib to verify that Hemay022 is a manageable-toxicity, encouraging-efficacy irreversible tyrosine kinase inhibitor. Enzymatic studies showed that Hemay022 exhibited HER2 inhibitory activity comparable to lapatinib and neratinib, with IC50 values of 2.9nM, 5.7nM, and 3.9nM, respectively. In vitro pharmacodynamic studies using HER2-overexpressing human breast cancer cells showed that Hemay022's activity surpassed that of lapatinib and was comparable to neratinib's. Four-week oral toxicity tests in rats demonstrated that Hemay022 had a better safety profile compared to both lapatinib and neratinib.

Enhanced Clinical Efficacy

For second-line treatment of ER+/HER2+ advanced breast cancer, the combination of lapatinib and capecitabine is the current common treatment in clinical practice according to F&S. Results from the Phase Ib clinical trial indicated that Hemay022, combined with endocrine drugs, may offer clinical advantages over lapatinib plus capecitabine in treating advanced breast cancer. Based on the efficacy and safety data from the Phase Ib clinical trial, the CDE has approved the Phase III clinical trial for Hemay022 in China.

Precise Target Population, Higher Benefit Potential

There is a bidirectional crosstalk between the ER and HER2 signaling pathways. In breast cancer treatment, ER signaling can drive resistance to anti-HER2 therapies, and activation of the ER signaling pathway can enable cancer cells to evade HER2 inhibition. Certain clinical trials have shown that for the treatment of patients with ER+/HER2+ breast cancer, dual pathway inhibition of both ER and HER2 signaling may be necessary.

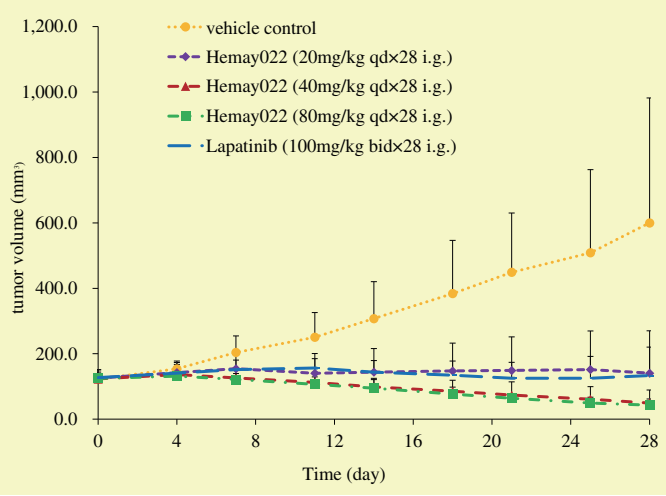
Market Opportunity and Competition

The number of patients with BD in China had reached 240,100 in 2024, with a CAGR of 3.0% from 2019 to 2024. The number of patients is expected to reach 267,700 in 2028 and 295,800 in 2032 at a CAGR of 2.8% from 2024 to 2028 and at a CAGR of 2.5% from 2028 to 2032. A variety of small molecule therapies have been approved or are in development for the treatment of breast cancer (BC) in China, targeting EGFR and HER2 pathways. Approved treatments include GSK's Tykerb® (lapatinib), Hengrui Medicine's pyrotinib, and Puma Biotechnology's Nerlynx® (neratinib). In addition, several promising candidates are in clinical development stage, such as Hemay's Hemay 022, Qilu Pharmaceuticals' QLNC 120 (selatinib), and Shanghai Allist Pharmaceuticals' ALS 1306 (alitinib), targeting EGFR and HER2. These candidates, in advanced stages of clinical trials, aim to address HER2-positive recurrent or metastatic breast cancer and advanced ER+/HER2+ breast cancer.

Preclinical Studies

Preclinical enzymatic studies have demonstrated that Hemay022 exhibits highly selective, irreversible inhibition of HER2 and EGFR, with half-maximal inhibitory concentrations (IC50) of 2.9±0.8nM and 0.4±0.2nM, respectively. In vitro pharmacodynamic studies have demonstrated that Hemay022 effectively inhibits HER2-positive human breast cancer cell lines, showing superior anti-tumor activity compared to the existing targeted drug, lapatinib. The specific data are as follows:

In vivo pharmacodynamic studies showed that Hemay022 exhibited strong inhibitory effects in HER2-positive BT-474 human breast cancer xenograft models, where Hemay022 was administered at 20, 40, and 80 mg/kg, the tumor inhibition rates demonstrate a good dose-effect relationship. The chart below sets forth a comparison between Hemay022 and lapatinib in connection with their inhibitory effects on CDX model:



The above findings suggest that Hemay022 has good target selectivity and anti-tumor activity, as well as favorable safety and tolerability.

Single-dose toxicity studies showed good tolerance in rats (500 mg/kg) and dogs (600 mg/kg), with the primary finding being gastrointestinal disturbance in rats. No significant abnormalities were observed in dogs.

In repeated-dose studies in rats, the no-observed-adverse-effect level (NOAEL) was 180 mg/kg over 13 weeks, and the highest non-severely toxic dose (HNSTD) was also 180 mg/kg over 26 weeks. The principal toxicological findings at higher doses included transient clinical signs, hematological and biochemical alterations, and organ-specific effects in the liver, mammary gland, and sublingual gland. Most of these changes were reversible after a 4-week recovery period.

Repeated-dose toxicity studies were also conducted in Beagle dogs. A 28-day study identified a tolerated dose of 15 mg/kg, with severe toxicity at 45 mg/kg affecting the intestines and lymphatic system. A longer 273-day study determined the HNSTD to be 16 mg/kg, with primary findings including GI issues and decreased protein levels. In both dog studies, toxic effects were reversible after a 4-week recovery period.

Summary of Clinical Trial of Hemay022

Sets forth below a summary of the clinical trials for the development of Hemay022 as of the Latest Practicable Date:

Study Number of participants/Site	Study Objective	Material Results
Phase I[(1)]		
Phase Ia — Dose Escalation study in patients with advanced HER2- positive breast cancer confirmed by pathology or cytology and imaging, who have failed prior therapy or for whom no standard treatment is available. (HM022BC1S01) 28 China	Primary Objectives: (1) To evaluate the safety and tolerability of single and multiple doses of Hemay022 in patients with advanced HER2-positive breast cancer. (2) To determine the pharmacokinetic profile of Hemay022 following single and multiple dosing in this population. (3) To recommend a dosing regimen for subsequent clinical studies. Secondary Objective: To preliminarily assess the anti-tumor efficacy of Hemay022 based on objective response criteria.	Objectives met. Hemay022 was well tolerated across single and multiple oral doses 50–600 mg QD in 28 heavily pretreated advanced HER2-positive breast cancer patients: most adverse events were Grade 1–2, a few Grade 3 (predominantly diarrhea). Pharmacokinetics showed approximately dose-proportional increases in Cmax and AUC over 50–600 mg, minimal accumulation after repeated dosing at 100–600 mg, and a terminal half-life of 15–18 h, supporting once-daily dosing; BID was less tolerable. Based on safety, PK, and emerging activity, a QD regimen (planned exploration of 200, 300, 400, 500 mg) was recommended for subsequent studies. Preliminary anti-tumor efficacy included an overall ORR 14.3–16.7% (CR in one patient at 500 mg QD; PRs at 300 mg QD and 300 mg BID), DCR 46.4–54.2%, and median PFS 121 days, with signals of greater benefit at ≥300 mg QD warranting confirmation in Phase Ib/II.
Phase Ib — Combination with Endocrine Therapy study in patients with pathologically confirmed, metastatic or recurrent ERpositive and HER2- positive advanced breast cancer who are not amenable to cure by standard therapy (HM022BC1C01) 55 China	See below	See below Due to the limited sample sizes, further studies are needed to confirm these findings. Overall survival (OS) data were not available due to the initial study design and efficacy assessment criteria; further exploration of OS will be required in subsequent studies.

Study Number of participants/Site	Study Objective	Material Results
Phase I Clinical Trial Food Effect Study of Single-dose Hemay022 Tablets in Healthy Subjects (HM022BC1S02) 12 China	Primary Objective: To evaluate the effect of food on the pharmacokinetic characteristics of Hemay022 tablets (provided by Tianjin Hemay Oncology Pharmaceutical Technology Co., Ltd.) following a single oral administration under fasting and fed conditions in healthy subjects, to inform clinical dosing recommendations. Secondary Objectives: To assess the safety of a single oral dose of Hemay022 tablets under fasting and fed conditions; to identify and characterize Hemay022 metabolites in humans.	Objectives met. Using fasting administration as the reference, the ratios of the pharmacokinetic parameters (Cmax, AUC_0—t, and AUC_0—∞) of Hemay022 tablets under fed versus fasting conditions were 87.1%, 100.63%, and 100.19%, respectively, all of which fall within the 80%–125% range. These data indicate that food has no significant effect on the absorption of the drug. After natural logarithmic transformation, analysis of variance (ANOVA) for the pharmacokinetic parameters (Cmax, AUC_0—t, and AUC_0—∞) of Hemay022 tablets showed that all P values for the effect of sex were less than 0.05, suggesting that sex has a certain impact on the absorption and metabolism of the drug.

Notes:

The three Phase I clinical trials were conducted to evaluate the specific study objectives detailed in the table above, as required by the NMPA.

Both the Phase I dose-escalation study (HM022BC1S02) and the Phase Ib study (HM022BC1C01) were conducted under the same IND. A separate new approval was not required to begin Phase Ib. We determined to commence Phase Ib study of Hemay022 in 2018 after adequate safety and PK data from initial Phase I dose-escalation cohorts justified progression.

Combination Therapies with Aromatase Inhibitor (Phase III)

Design. The clinical trial is a randomized, open-label, controlled, multicenter Phase III clinical trial evaluating the efficacy and safety of Hemay022 in combination with an aromatase inhibitor for postmenopausal patients with ER-positive and HER2-positive advanced breast cancer who have previously received trastuzumab-containing regimens.

The clinical trial consists of four periods: screening for 28 days, treatment period, safety follow-up period (28±7 days) and post discontinuation survival follow, with 339 patients planned to be enrolled. The screening period lasts four weeks. Eligible subjects are randomized in a 2:1 ratio to receive either Hemay022 in combination with an aromatase inhibitor or lapatinib in combination with capecitabine. Each treatment cycle is three weeks, and treatment continues until disease progression or withdrawal from the clinical trial. The safety follow-up period lasts for 28±7 days following the last dose. During the survival follow-up period, subjects are contacted by telephone every three months after discontinuation to collect information on survival status and subsequent anti-tumor therapies, until loss to follow-up or death.

Objectives. The primary endpoint is the median progression-free survival (mPFS), assessed from the commencement of treatment to the earliest date of documented disease progression or death from any cause. Secondary endpoints include overall survival (OS), defined as the time from the start of treatment to the date of death from any cause; progression-free survival (PFS), defined as the time from the start of treatment to the earliest date of documented disease progression or death; objective response rate (ORR), defined as the proportion of subjects with a best overall response of complete response (CR) or partial response (PR) from the start of treatment to the earliest date of disease progression or death; disease control rate (DCR), defined as the proportion of subjects achieving CR, PR, or stable disease (SD) from the start of treatment to the earliest date of disease progression or death; and duration of response (DOR), defined as the time from the first documented occurrence of CR or PR to the earliest date of disease progression or death. Additional endpoints include clinical benefit rate (CBR), defined as the proportion of subjects achieving CR, PR, or SD from the start of treatment to the earliest date of disease progression or death; time to response (TTR), defined as the time from the start of treatment to the earliest date of the first

documented CR or PR; and the pharmacokinetic (PK) characteristics of Hemay022 in combination with an aromatase inhibitor (AI, exemestane or letrozole), assessed from the start of treatment to immediately prior to dosing on Cycle 3 Day 1 (C3D1).

Progress. This clinical trial was initiated in January 2022 and is currently ongoing as of the Latest Practicable Date. No interim clinical trial data is available as the study protocol does not contemplate interim efficacy or safety analyses.

Combination Therapies with Endocrine Therapy (Phase Ib)

Design. The clinical trial is a Phase Ib clinical trial of Hemay022 in combination with endocrine therapy for advanced ER+/HER2+ breast cancer. It consists of two stages, with 39-60 patients planned to be enrolled. The first stage is a multicenter, open-label, dose-escalation study using the traditional 3+3 design, with Hemay022 (200–500 mg, starting dose 200 mg) in combination with exemestane (once daily, 28 days per cycle) to explore the optimal tolerated regimen, or OTR, defined as the maximum tolerated dose combination at which no more than 1 out of 6 subjects experience a dose-limiting toxicity, or DLT, during the initial treatment observation period. Dose-limiting toxicities are monitored, and blood samples are collected to assess pharmacokinetics. Patients who derive clinical benefit may enter an extension phase and continue treatment until disease progression or intolerable toxicity occurred, with tumor response evaluated every 8 weeks.

The second stage, based on safety data from the first stage and preliminary anti-tumor activity observed in the 300 mg to 500 mg groups, involves expansion cohorts at 300 mg, 400 mg, and 500 mg dose levels. Based on data from the 300 mg group (2 additional subjects) and the 400 mg group (10 additional subjects), the 400 mg dose was identified as a potential target dose, leading to the discontinuation of the 300 mg group expansion and continued enrollment in the 400 mg and 500 mg groups. Additionally, six subjects were enrolled in the 400 mg cohort in combination with letrozole, and six subjects in combination with fulvestrant, to further explore the safety profile of Hemay022 in combination with different endocrine agents. The endocrine therapy which was used includes Letrozoles approved in U.S. in 1997, Exemestane approved in U.S. in 1999 and Fulvestrant approved in U.S. in 2002.

Progress. The clinical trial was completed in June 2022. A total of 55 subjects were enrolled, including 17 in the dose-escalation phase and 38 in the expansion phase. As of the date of clinical trial report (March 1, 2023), three subjects remained on study treatment, having completed 40, 33, and 12 treatment cycles, respectively (each cycle consisting of 28 days).

Results. The results indicate that Hemay022 demonstrated favorable safety, tolerability, and clear clinical benefit. The table below sets forth the details of the efficacy of the trial:

FAS

Combination Therapy	200mg + Exemestane	300mg + Exemestane	400mg + Exemestane	500mg + Exemestane	400mg + Letrozole	400mg + Fulvestrant	Total
N	3	8	19	13	6	6	55
CR n (%)	0 (0)	1 (12.5)	0 (0)	0 (0)	0 (0)	0 (0)	1 (1.8)
PR n (%)	0 (0)	1 (12.5)	7 (36.8)	3 (23.1)	3 (50.0)	1 (16.7)	15 (27.3)
SD n (%)	2 (66.7)	3 (37.5)	6 (31.6)	9 (69.2)	2 (33.3)	4 (66.7)	26 (47.3)
ORR n (%)	0 (0)	2 (25.0)	7 (36.8)	3 (23.1)	3 (50.0)	1 (16.7)	16 (29.1)
DCR n (%)	2 (66.7)	5 (62.5)	13 (68.4)	12 (92.3)	5 (83.3)	5 (83.3)	42 (76.4)
CBR n (%)	1 (33.3)	3 (37.5)	12 (63.2)	6 (46.2)	5 (83.3)	4 (66.7)	31 (56.4)
PFS occurrence rate n/ (%)	2 (66.7)	6 (75.0)	14 (73.7)	8 (61.5)	6 (100.0)	5 (83.3)	41 (74.5)
PFS median	3.6	5.4	8.9	9.0	12.7	13.3	9.0

Abbreviation: CR = Complete Response; PR = Partial Response; SD = Stable Disease; PD = Progressive Disease; ORR = Objective Response Rate; DCR = Disease Control Rate; CBR = Clinical Benefit Rate; PFS = Progression-Free Survival.

(1) PFS is defined as the duration from the date of first administration of study drug to the date of disease progression, as determined by radiographic assessment, or death from any cause, whichever occurs first.

(2) ORR is defined as the proportion of subjects whose Best Overall Response (BOR) at any time point is Complete Response (CR) or Partial Response (PR), that is, the percentage of subjects achieving CR or PR.

Among the groups receiving 200 mg to 500 mg plus exemestane, a correlation was observed between dosing and efficacy, with efficacy increasing as the dose increased. The 400 mg plus letrozole and 400 mg plus fulvestrant groups also demonstrated specific antitumor effects; however, due to the limited sample sizes, further studies are needed to confirm these findings. Due to the initial design of the study endpoints, OS data were not available and should be further explored in subsequent studies.

Safety. The safety profile was overall favorable. The incidence of TEAE, did not demonstrate a clear dose-dependent relationship across the different dose groups. The majority of adverse events observed during the study were Grade 1 or 2 in severity. Three subjects withdrew due to four incidents of ADRs, of which two incidents occurring to one subject were considered possibly related to Hemay022 and/or Fulvestrant. Hemay022, when escalated to a dose of 500 mg, continued to exhibit good safety and tolerability. The following table summarizes the key safety data for Hemay022 in combination therapy for ER-positive and HER2-positive advanced breast cancer:

	200 mg + exemestane	300 mg + exemestane	400 mg + exemestane	500 mg + exemestane	400 mg + letrozole	400 mg + fulvestrant	Total
N	3	8	19	13	6	6	55
TEAEs related to Hemay022, n (%)	3 (100.0)	8 (100.0)	16 (84.2)	12 (92.3)	5 (83.3)	6 (100.0)	50 (90.9)
Serious adverse drug reactions, or SADRs, n (%)	0 (0)	0 (0)	1 (5.3)	0 (0)	0 (0)	1 (16.7)	2 (3.6)
Adverse drug reactions, or ADRs, leading to discontinuation, n (%)	0 (0)	0 (0)	3 (15.8)	0 (0)	0 (0)	1 (16.7)	4 (7.3)
Serious adverse events, or SAEs, n (%)	1 (33.3)	0 (0)	2 (10.5)	1 (7.7)	0 (0)	2 (33.3)	6 (10.9)
Study drug-related adverse events, or AEs, of Grade ≥3 severity, n (%)	1 (33.3)	2 (25.0)	3 (15.8)	2 (15.4)	1 (16.7)	1 (16.7)	10 (18.2)
ADRs leading to dose reduction of Hemay022, n (%)	0 (0)	0 (0)	2 (10.5)	3 (23.1)	0 (0)	1 (16.7)	6 (10.9)
ADRs leading to temporary interruption of Hemay022, n (%)	1 (33.3)	1 (12.5)	2 (10.5)	1 (7.7)	0 (0)	0 (0)	5 (9.1)
ADRs leading to permanent discontinuation of Hemay022, n (%)	0 (0)	0 (0)	3 (15.8)	0 (0)	0 (0)	1 (16.7)	4 (7.3)
ADRs leading to death, n (%)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)

PK Data. Hemay022 exposure parameters (Cmax and AUC) increased with dose from 200 mg to 500 mg when combined with exemestane, for both single and multiple doses, with Tmax reached approximately 1.5 to 2.5 hours post-dose. Single-dose Cmax and AUC0-24 values were comparable to those from the Phase Ia monotherapy study, and steady-state values (Cmax,ss and AUCss) remained consistent with Phase Ia findings. Exemestane pharmacokinetics were in line with previously reported parameters. Accumulation was notable only in the 200 mg combination group (Ra > 2), while other groups showed minimal accumulation for both compounds. Dose-proportionality was linear for Hemay022 single-dose exposure across the full dose range; linearity at steady state requires further investigation due to wide confidence intervals.

Clinical Development Plan

As of the Latest Practicable Date, we were conducting a Phase III clinical trial targeting advanced ER+/HER2+ breast cancer. The primary objective is to evaluate the efficacy of Hemay022 in combination with aromatase inhibitors (exemestane or letrozole) for treating patients with advanced ER+/HER2+ breast cancer, based on the mPFS of the patients. We expect to include these data, along with additional follow-up data from the study, in the NDA that we plan to file with the NMPA in China in 2027, subject to the successful completion and satisfactory results of the trials. If approved, we plan to commercialize Hemay022 shortly after approval.

Licenses, Rights and Obligations

We discovered and developed Hemay022 and retained global rights for its development and commercialization.

Material Communications with Competent Authorities

In August 2014, the NMPA approved our IND application (No. 2014L01637) to initiate Phase I clinical trials for Hemay022 in tablet form based on the study protocol submitted.

In 2018, based on the results of the Phase I dose-escalation clinical trial (HM022BC1S02), we initiated the Phase Ib clinical trial (HM022BC1C01) to evaluate Hemay022 in combination with exemestane in consultation with the principal investigators. Both trials were conducted under IND approval No. 2014L01637. In December 2019, we submitted the results of both the Phase I dose-escalation trial (HM022BC1S02) and the initial stage of the Phase Ib combination therapy trial (HM022BC1C01) to the NMPA. The submitted data demonstrated:

- Phase I Monotherapy (HM022BC1S02): 28 patients were enrolled across 7 dose levels (50mg QD to 600mg QD). Adverse events were primarily mild to moderate gastrointestinal reactions (diarrhea, nausea, vomiting), mostly Grade 1-2. Three serious adverse events (SAEs) were reported, of which one was unrelated and two were possibly unrelated to the drug.

- Phase Ib Combination Therapy (HM022BC1C01): 20 patients were enrolled in the dose escalation stage (200mg, 300mg, 400mg, 500mg QD + exemestane 25mg). Of the 17 patients evaluable for efficacy, clinical benefit was observed. One SAE was reported in the 200mg group (possibly unrelated to Hemay022 and exemestane), and one dose-limiting toxicity (DLT) event (ALT elevation) was reported in the 400mg group. Overall, good tolerability was observed.

Based on these results, the NMPA approved the initiation of the expansion stage of the Phase Ib clinical trial (HM022BC1C01) in December 2019.

On March 8, 2021, based on the results of our Phase I and Ib clinical studies, we submitted a request to the CDE to discuss the proposed Phase III clinical trial protocol for Hemay022 in patients with ER+/HER2+ breast cancer. On May 10, 2021, we held a meeting with CDE, during which the following agreements were reached, amongst others: (i) CDE agreed that we can conduct Phase III clinical trial as combination therapy with Aromatase Inhibitors; (ii) the CDE acknowledged the rationale for exploring anti-HER2 therapy in combination with endocrine therapy in ER+/HER2+ patients, and supported the initiation of a Phase III registrational clinical trial in the second-line setting; (iii) The CDE recommended that lapatinib in combination with capecitabine be used as the control arm in the clinical trial; and (iv) PFS was selected as the primary efficacy endpoint, with overall survival (OS) included as a key secondary efficacy endpoint.

Following the CDE's agreement in May 2021, we commenced the Phase III clinical trial in January 2022, prior to the formal completion of the Phase Ib trial in June 2022. This approach was adopted based on the availability of sufficient safety and efficacy data from the Phase I and Phase Ib trials, which demonstrated that Hemay022 had a manageable safety profile and showed promising efficacy signals. This approach allowed us to accelerate development timelines and optimize resource allocation without compromising scientific integrity or patient safety.

The NMPA has not raised material objections that would impact the major safety and efficacy parameters or the overall design of our ongoing and completed clinical trials for Hemay022 in China as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET HEMAY022 SUCCESSFULLY.

Other Clinical-Stage Drug Candidates

Hemay007

Hemay007 is screened from a compound library using multiple pharmacological approaches and is a TNF-α small molecule modulator. In the spontaneous UC monkey model, Hemay007 reduced the number of ulcers in the colons of the diseased monkeys. Pathological examinations of the intestines after treatment revealed that the colon tissue had almost returned to a normal state.

Summary of Key Developments

The table below sets out the key developmental milestones of all ongoing and planned clinical programs of Hemay007 in the jurisdictions indicated as of the Latest Practicable Date:

Indication	Time	Milestone
Australia		
–	December 2016 to January 2018	Phase I (Dose Escalation, Food Effect, Multiple Dosage) completed
China		
IBD	December 2017	IND approval obtained (20mg &100mg)
UC	August 2019	Supplemental IND approval obtained (200mg)
	July 2019 to July 2021	Phase II completed
RA	July 2020	IND approval obtained
	April 2021 to current	Phase II: – Initiated: April 2021 – Expected completion: To be determined[(1)]

Note:

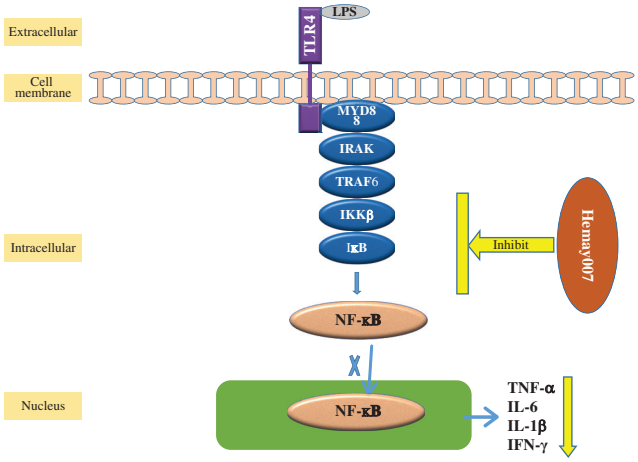
(1) We plan to prioritize the development of clinical trials of Mufemilast due to our limited financial resources. Thus, the issuance of clinical trial report of phase II for RA will be paused as of the Latest Practicable Date.

For the development of Hemay007, we will prioritize the clinical trial for RA. Currently, we do not have a definitive timetable for the next steps in UC. We do not currently have plans to initiate any additional clinical trials overseas in respect of Hemay007.

Mechanism of Action

Hemay007 inhibited the TLR4 signaling pathway, a key driver of inflammation. Upon stimulation by LPS (lipopolysaccharide), TLR4 activates a cascade of intracellular signaling events, beginning with the recruitment of MYD88 (myeloid differentiation factor 88), followed by the activation of IRAK (interleukin-1 receptor-associated kinase) and TRAF6 (TNF receptor-associated factor 6). This leads to the activation of IKKβ (inhibitor of kappa B kinase β), which degrades IκB (inhibitor of NF-κB), allowing NF-κB (nuclear factor kappa-B) to translocate into the nucleus and promote the transcription of pro-inflammatory cytokines such as TNF-α (tumor necrosis factor-α), IL-6, IL-1β, and IFN-γ (interferon-γ). By inhibiting this pathway, Hemay007 blocks the release of pro-inflammatory factors, particularly TNF-α, thereby reducing the inflammatory response triggered by immune stimulation.

The diagram below illustrates the mechanism of action of Hemay007:



TLR4 = toll-like receptor 4; LPS = lipopolysaccharide; MYD88 = myeloid differentiation factor 88; IRAK = interleukin-1 receptor-associated kinase; TRAF6 = TNF receptor-associated factor 6; IKKβ = inhibitor of kappa B kinase β; IκB = inhibitor of NF-κB; NF-κB = nuclear factor kappa-B; TNF-α = tumor necrosis factor-α; IL = interleukin; IFN-γ = interferon-γ.

Summary of Clinical Trial of Hemay007

Sets forth below a summary of the clinical trials for the development of 007 as of the Latest Practicable Date:

	Study	Study Objective	Material Results
Phase I			
1.	A Phase I Study to Evaluate the Safety, Tolerability and Pharmacokinetics of Ascending Single and Multiple Oral Doses of Hemay007 in Healthy Volunteers under Fasting and Fed Conditions in healthy adult volunteers (Hemay007AU01) Part 1: 32/Part 2: 12/ Part 3: 40 Australia	Part 1: safety, tolerability and pharmacokinetic properties Part 2: effect of food on pharmacokinetic properties Part 3: safety, tolerability and pharmacokinetic properties	Part 1: A total of 96 subjects were screened for inclusion in this study. Of the subjects screened, 32 subjects were randomized (6 subjects in Hemay007 group and 2 subjects in placebo group in each cohort; 4 cohorts in total). All subjects in Part 1 completed the study. Part 2 A total of 24 subjects were screened for inclusion in this study. Of the subjects screened, 12 subjects were randomized (Fasting-Fed Group: 6 subjects; Fed- Fasting Group: 6 subjects). All subjects in Part 2 completed the study. Part 3 A total of 86 subjects were screened for inclusion in this study. Of the subjects screened, 40 subjects were randomized (8 subjects in Hemay007 group and 2 subjects in placebo group in each cohort; 4 cohorts in total), but 3 randomized subjects were discontinued from study for (1) intolerable/unacceptable adverse events; (2) unwilling to proceed and/or consent is withdrawn and (3) withdrawal from the study is, in the investigator's judgement, in the participant's best interest.

	Study	Study Objective	Material Results
Phase II			
2.	Phase II Multicenter, Randomized, Double-blind, Placebo-controlled, Parallel-group Study of the Efficacy and Safety of Different Dosing Regimens of Hemay007 in Patients with Active Ulcerative Colitis (HM007UC2S01) 70 China	See below	

UC (Phase II)

Design. The clinical trial was a multicenter, randomized, double-blind, placebo-controlled, parallel-group study designed to evaluate the efficacy, safety, and dose-response relationship of various dosing regimens of Hemay007 in patients with UC. A total of 70 patients with UC were enrolled and randomized into four parallel groups: 16 patients received Hemay007 400 mg twice daily (BID), 18 patients received 800 mg once daily (QD), 17 patients received 600 mg BID, and 19 patients received a placebo. 63 subjects (90.0%) completed the double-blind induction treatment phase, with 13, 18, 15, and 17 subjects in the respective groups. Following the double-blind period, all patients entered a 12-week open-label extension phase with Hemay007 at 600 mg twice daily.

Endpoints. The primary efficacy endpoint was the clinical response rate at Week 12, defined as a reduction in total Mayo score by at least 3 points and a decrease of at least 30% from baseline, accompanied by either (i) a reduction in rectal bleeding subscore by at least 1 point, or (ii) an absolute rectal bleeding subscore of 0 or 1. Secondary efficacy endpoints included clinical remission rates at Weeks 12 and 24, changes in partial and total Mayo scores from baseline at Weeks 4, 8, 12, 16, 20, and 24, mucosal healing (MH) rate at Week 12, changes in quality of life as measured by validated instruments at Weeks 12 and 24, steroid-free remission rate at Week 24, and relapse rate. Additionally, the clinical trial assessed the safety of different dosing regimens of Hemay007 compared with placebo, as well as the PPK characteristics of Hemay007 in patients with UC.

Efficacy. Primary and Secondary endpoints were not achieved due to no statistically significant differences across all groups in both the FAS and PPS populations. 800 mg QD group shows treatment effects compared to placebo group. At Week 12, clinical response rates, as evaluated by both central laboratory and principal investigator (PI) assessments, there was no statistically significant differences across all groups in both the FAS and PPS populations ($P > 0.05$ for all comparisons). Clinical remission rates at Week 12 were also comparable among the treatment and placebo groups, with no statistically significant differences observed.

Safety. Analysis of adverse event data indicates that during the double-blind induction treatment period, the incidence of adverse reactions considered related to Hemay007 were similar among treatment groups. During the double-blind period, one subject in the 400 mg BID group experienced one AE leading to study withdrawal, while two subjects in the 600 mg BID group experienced a total of two AEs leading to study withdrawal. Among these, one AE in the 600 mg BID group was considered possibly related to the Hemay007. During the open-label extension phase, a total of two subjects experienced AEs leading to study withdrawal, with two events reported. Both events were considered unrelated to Hemay007. Overall, the 800 mg QD dosing group demonstrated a trend toward a more favorable safety profile compared to other Hemay007 dosing regimens, as reflected by a lower proportion of subjects experiencing drug-related adverse events. The incidence of AEs showed no statistically significant difference among the four groups (400 mg BID, 800 mg QD, 600 mg BID, and placebo; $P=0.2237$).

Material Communications with Competent Authorities

The following table sets forth details of our material communications with competent authorities for our ongoing and completed clinical trials as of the Latest Practicable Date. Overall, the competent authorities did not require any revisions or impose any conditions impacting the expected major safety and efficacy parameters as stated in the IND application or the overall design of the ongoing and completed clinical trials, and their suggestions of focus (if any) are included below where applicable.

Study	Phase	Competent Authority (Study Site)	IND Approval Date (YYYY-MM-DD)	Status	Details of Communication
Indication: IBD					
Hemay007AU01 . .	I	TGA (Australia)	2016-12-16[(1)]	Completed	(1) On December 13, 2016, we submitted a notification to the Therapeutic Goods Administration (TGA) of Australia of our intention to commence a Phase I study for the development of Hemay007 as treatment for inflammatory bower diseases. (2) On December 13, 2016, the Human Research Ethics committee confirmed that it had scientifically and ethically reviewed the study and approved the study.
		NMPA (China)	2017-12-18	Completed	(1) We filed two IND applications (20mg tablets and 100mg tablets) with the NMPA for the clinical development of Hemay007 for the treatment of UC. The clinical results from the study conducted in Australia were not included in the initial submission to NMPA as basis for the applications. Upon completion of the clinical trial in Australia, such results were included in the investigator's brochure and the relevant information was also submitted by way of an update to NMPA. Subsequently, the NMPA accepted our IND applications and approved the proposed study design to initiate Phase II clincial trial. The IND approvals are respectively applicable to all phases of clinical trials of the use of Hemay007 in 20mg tablets and 100mg tablets carried out in China.

Study	Phase	Competent Authority (Study Site)	IND Approval Date (YYYY-MM-DD)	Status	Details of Communication
HM007UC2S01 (for treatment of UC).	II	NMPA (China)	2019-08-01	Completed	(2) We applied to the NMPA to expand the dosage allowed to 200mg for clinical testing. The NMPA approved the supplemental application. The IND approval is applicable to all phases clinical trials of the use of Hemay007 in 200mg tablets carried out in China.(2)
Indication: RA					
HM007RA2S01 . . .	II	NMPA (China)	2020-07-30	Ongoing	We filed an IND application with the NMPA for the clinical development of Hemay007 for the treatment of RA, the NMPA accepted our IND application and approved the proposed study design in July 2020. The IND approval is applicable to all phases clinical trials of Hemay007 for the treatment of moderate to severe RA carried out in China.(2)

Note:

(1) This is the date of acknowledgment of our clinical trial notification by Therapeutic Goods Administration (TGA).

(2) We directly commenced or plan to directly commence a Phase II clinical trial of UC and RA by leveraging the Phase I clinical trial results of IBD in healthy subjects. Phase I clinical trials are typically conducted in healthy volunteers to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of a drug candidate. These objectives are generally consistent across indications and are not disease-specific. Accordingly, the Phase I clinical data generated from healthy subjects in the IBC trial were deemed sufficient to support the initiation of Phase II trials in these additional indications without the need to conduct separate Phase I studies for each. In each case, we have conducted such clinical development activities in consultation with, and subject to the requisite approvals from, the CDE of NMPA. As advised by our PRC Legal Advisor, there is no mandatory provision under applicable PRC laws and regulations requiring that a separate Phase I clinical trial must be conducted for each new indication, provided that the existing data are sufficient to support the safety and pharmacokinetic profile of the drug candidate. See "Regulatory Overview — PRC Laws and Regulations — Laws and Regulations in Relation to New Drugs — Phases of Clinical Trials" for details.

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Hemay808

Hemay808 is a molecular entity. Through topical administration, this compound maintains a therapeutic concentration in target tissues while reducing systemic exposure and potential toxicity risks, thereby achieving an optimized balance between efficacy and safety. Hemay808 exhibits dual actions, regulating IgE and inhibiting PDE4. Utilizing the autoimmune disease animal model evaluation platform, Hemay808 demonstrated encouraging efficacy and safety in animal models related to AD. In the TPA-induced mouse ear swelling model, Hemay808 reduced the degree of ear swelling and exhibited a dose-response relationship. In the DNCB-induced mouse model of AD, Hemay808 reduced ear thickness, swelling, and IgE levels, exhibiting a clear dose-response relationship and therapeutic effects comparable to those of dexamethasone cream, but with lower toxicity. Hemay808 is formulated as an ointment and is applied directly to the affected area, where it exerts its local pharmacological effects. Once absorbed into the bloodstream, it undergoes hydrolytic metabolism into metabolites with lower activity. This enables it to achieve local efficacy while minimizing potential target-related toxic reactions resulting from systemic absorption.

Summary of Key Developments

The table below sets out the key developmental milestones of all ongoing and planned clinical programs of Hemay808 in China as of the Latest Practicable Date:

Time	Milestone
January 2019	IND approval obtained
June 2019 to October 2019	Phase I (Dose Exploration) completed
April 2020 to January 2021	Phase IIa (Different Concentrations) completed
Planned	Phase IIb – Expected initiation: the second half of 2026[1]

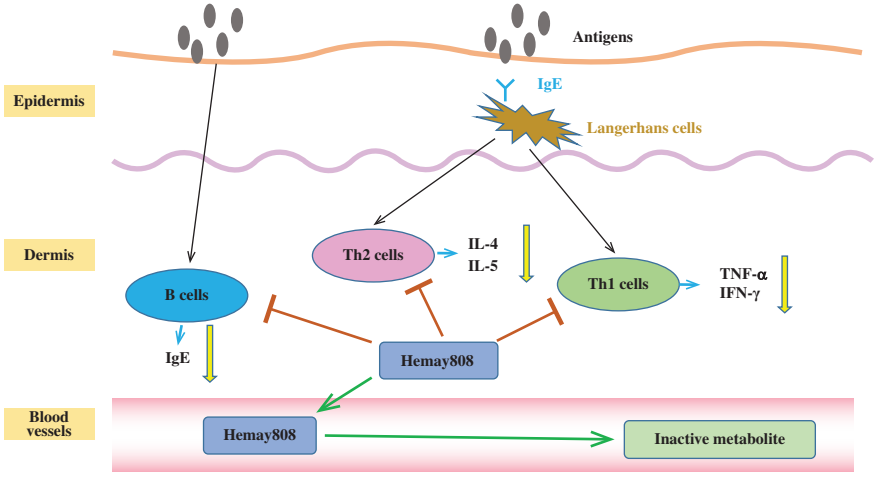
Note:

(1) For the planned Phase IIb clinical trial of Hemay808 for AD, we expect to initiate the clinical trial by the second half of 2026. This expectation is made on the basis that all study protocols have already been finalized, and the selection of CROs and study centres is in progress. Although these preparatory steps are still ongoing, they are proceeding according to our anticipated timeline. In addition, we plan to allocate approximately [**REDACTED**]%, or HK$[**REDACTED**] million, of the [**REDACTED**] for the research and development of Hemay808 and Hemay5087. Assuming the [**REDACTED**] is completed as expected, these funds will be sufficient to support the timely commencement of our clinical trials for AD.

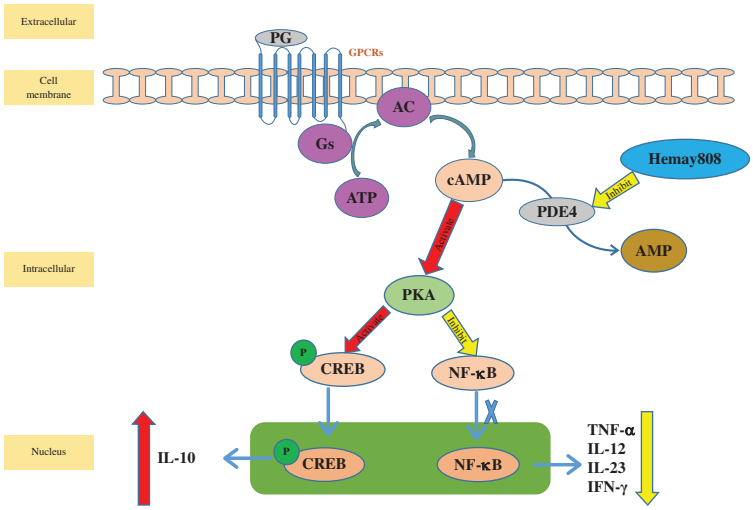
Mechanism of Action

Hemay808 is a dual inhibitor targeting IgE and PDE4. It inhibits the production of IgE, blocking the activation of Th2 and Th1 cells induced by IgE, and reducing the release of cytokines such as IL-4, IL-5, and TNF-α, ultimately achieving therapeutic effects for related inflammatory diseases. At the same time, it effectively inhibits the activity of PDE4 in inflammatory cells, increasing the intracellular concentration of the second messenger cAMP. This regulation of downstream signaling pathways reduces the release of inflammation-related factors (such as TNF-α, IFN-, IL-2, etc.), thereby suppressing inflammatory responses.

The diagram below illustrates the mechanism of action of Hemay808:



IgE = Immunoglobulin E; Th2 = T helper 2 cell; TNF-α = Tumor necrosis factor-α; IL = Interleukin; IFN-γ = Interferon-γ.



PG = Prostaglandin; GPCRs = G-protein coupled receptors; Gs = G protein alpha subunit; AC = Adenylyl cyclase; ATP = Adenosine triphosphate; cAMP = Cyclic adenosine monophosphate; AMP = Adenosine monophosphate; PDE4 = Phosphodiesterase 4; PKA = Protein kinase A; CREB = cAMP responsive element binding protein; NF-κB = Nuclear factor kappa-B; TNF-α = Tumor necrosis factor-α; IL = Interleukin; IFN-γ = Interferon-γ.

Summary of Clinical Trials of Hemay808

Sets forth below a summary of the clinical trials for the development of 808 as of the Latest Practicable Date:

	Study	Study Objective	Material Results
	Phase I		
1. . . .	Phase I Study of the Safety, Tolerability, and Pharmacokinetics in healthy adult volunteers (YQ-M-18-08) 42 China	Primary Objective: To evaluate the safety and tolerability of Hemay808 Secondary Objective: To evaluate the pharmacokinetic (PK) profile of Hemay808	Objectives met. Safety and Tolerability: Across both the preliminary and formal trials, Hemay808 demonstrated a favourable safety and tolerability profile. This was supported by data from treatment-emergent adverse events (TEAEs), adverse drug reactions (ADRs), laboratory tests, vital signs, 12-lead ECGs, physical examinations, and topical contact dermatitis assessments. Pharmacokinetics (PK): After a single dose of Hemay808, systemic exposure to Hemay028 was low, with most subjects showing plasma concentrations below 1 ng/mL. The main metabolites, Hemay028M1 and Hemay028M2, showed dose-proportional increases in Cmax, AUC0-t, and AUC0-∞. After multiple doses, Hemay028M1 and Hemay028M2 reached steady-state levels around the ninth dose, with evidence of accumulation over 7 days of continuous dosing. No other major metabolites with high exposure were identified in the metabolite profiling study.

	Study	Study Objective	Material Results
2. . . .	Phase II Clinical Study Evaluating the Safety and Efficacy of Different Concentrations of Hemay808 in Patients with Mild-to-Moderate AD (HM808AD2S01) 148 China	Primary Objective: To explore the efficacy and dose-response relationship of different concentrations of Hemay808 compared to excipient in patients with mild-to-moderate atopic dermatitis. Secondary Objectives: To evaluate the safety of different concentrations of Hemay808 compared to excipient; to assess systemic exposure of topically applied Hemay808 in patients with mild-to-moderate AD.	Objectives met. No statistically significant dose-response or efficacy differences vs excipient across low, medium (3%) and high doses. Medium dose showed a consistent numerical advantage on EASI, IGA, DLQI and pruritus NRS; adverse event rates similar across groups (P>0.05), AEs mainly mild and resolved/improving; 3% dose selected for further development.

AD (Phase II)

Design. A total of 148 patients with AD were randomized based on baseline Investigator's Global Assessment ("**IGA**") scores (2 or 3) and baseline 3%-20% percentage of body surface area ("**BSA**") affected by AD. Patients were divided into four groups: a low-dose group, a medium-dose group, a high-dose group, and a vehicle group, with 37 patients in each group. The medication was applied twice daily for 28 days. The primary efficacy endpoint was the change in EASI score from baseline at Day 29. Secondary endpoints included the proportion of subjects achieving IGA success and the proportion with IGA scores of 0 or 1 at Days 8, 15, 22, and 29, as well as changes in IGA and EASI scores from baseline at various time points. Additional secondary endpoints included EASI 50, EASI 75, and EASI 90 response rates, changes in the percentage of BSA affected by AD at Day 29, changes in Dermatology Life Quality Index (DLQI) scores, and changes in pruritus Numeric Rating Scale (NRS) scores at Days 8, 15, 22, and 29.

Efficacy. All groups demonstrated increasing reductions in EASI score over time, with the the high-dose group and medium-dose group showed a trend toward improved efficacy across multiple clinical endpoints. The medium-dose group showed a trend toward greater improvement beginning on Day 8 compared to the low-dose and vehicle groups. Following 29 days of treatment, there were no statistically significant differences among the vehicle, low-, medium-, and high-dose groups in mean change from baseline in EASI score (all $P > 0.05$).

Safety. The incidence of adverse events did not differ significantly between groups, with most adverse events being mild and resolving or improving. No severe adverse events nor death events were observed across low-dose group, a medium-dose group and a high-dose group. There was no TEAE leading to the does reduction, ADR leading to dose reduction, ADR leading to permanent discontinuation, TEAT leading to death, ADR leading to death severe TEAR nor severe ADRs across all groups. Only one patient in vehicle group experienced a single SAE (worsening of AD symptoms), with subsequent improvement. Below sets forth the summary of AEs, ADRs, TEAEs, SAEs and SARs:

Adverse Event Category	Placebo Group (N=36)	Low Dose Group (N=38)	Medium Dose Group (N=37)	High Dose Group (N=37)	Total (N=112)	P-value
N	36	38	37	37	112	–
TEAE n (%)	18 (50.0%)	19 (50.0%)	18 (48.6%)	19 (51.4%)	56 (50.0%)	0.997
ADR n (%)	7 (19.4%)	6 (15.8%)	10 (27.0%)	8 (21.6%)	24 (21.4%)	0.683
TEAE unrelated to study drug n (%)	13 (36.1%)	15 (39.5%)	12 (32.4%)	13 (35.1%)	40 (35.7%)	0.937
SAE n (%)	1 (2.8%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0.243
SAR n (%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	NA

Adverse Event Category	Placebo Group (N=36)	Low Dose Group (N=38)	Medium Dose Group (N=37)	High Dose Group (N=37)	Total (N=112)	P-value
TEAE leading to withdrawal n (%)	2 (5.6%)	1 (2.6%)	0 (0%)	0 (0%)	1 (0.9%)	0.192
ADR leading to withdrawal n (%)	1 (2.8%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0.243
TEAE leading to permanent discontinuation n (%)	1 (2.8%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0.243
Significant TEAE n (%)	5 (13.9%)	13 (34.2%)	10 (27.0%)	4 (10.8%)	27 (24.1%)	0.046
Significant ADR n (%)	2 (5.6%)	1 (2.6%)	3 (8.1%)	1 (2.7%)	5 (4.5%)	0.646

Abbreviations: TEAE: Treatment-Emergent Adverse Event; ADR: Adverse Drug Reaction; SAE: Serious Adverse Event; SAR: Serious Adverse Reaction; NA: Not Applicable.

During the study period, there were 2 subjects in the placebo group who experienced 2 instances of AEs leading to withdrawal; trial; In the low-dose group, 1 subject experienced 1 AE. No adverse events leading to withdrawal occurred in the medium-dose or high-dose groups. The AEs leading to withdrawal did not differ significantly among groups ($P > 0.05$).

Primary and Secondary endpoints were not achieved due to no statistically significant differences across all groups in both the FAS and PPS populations. The Hemay808 medium-dose group demonstrated a consistent trend toward greater efficacy compared to placebo across various efficacy endpoints, including EASI score, IGA, DLQI, and NRS, with a favorable safety profile. Therefore, we expect to choose the dose of medium-dose group of Hemay808 (3% concentration) for further clinical investigation.

Market Opportunity and Competition

In China, the number of patients with mild AD reached 52.6 million in 2024, with a CAGR of 2.0% from 2019 to 2024. This number is projected to reach 57.2 million by 2032. The number of patients with moderate to severe AD reached 20.3 million in 2024, with a CAGR of 2.2% from 2019 to 2024. A variety of PDE4 inhibitors have been approved or are in development for the treatment of AD in China. Approved treatments include Anacor Pharmaceuticals' Staquis® (crisaborole ointment), targeting PDE4. In addition, several promising candidates are in clinical development stage, such as Otsuka Pharmaceutical's MM-36 (difamilast), Hefei Medical and Pharmaceutical's HY-072808, and and Hemay808, all targeting PDE4. Other notable drugs in the pipeline include vTv Therapeutics' HPP737, E-nitiate Biopharmaceuticals' QY101, and LEO Pharma's LEO32731 (orismilast), which target PDE4 or its subtypes PDE4B and PDE4D, aiming to address the underlying inflammatory processes associated with AD.

The prevalence of AD in China was also notable in recent years. In 2014, the prevalence of AD among infants was 30.48%, and among children aged 1 to 7 years, it was 12.94%. AD lesions most commonly affect the upper limbs, followed by the head and face. In infants, typical lesions are distributed on the forehead or cheeks. The primary treatment needs for AD are long-term disease control and reduction of recurrence, followed by improvement of skin lesions and pruritus. Topical therapy plays a central role in the management of AD. Topical corticosteroids (TCS) and topical calcineurin inhibitors (TCI) are the most commonly used treatments for AD in clinical practice, mainly indicated for patients with mild-to-moderate disease. However, long-term use of TCS can lead to skin atrophy, telangiectasia, acne, and ecchymosis. Additionally, concerns about steroid use often result in poor patient compliance and suboptimal efficacy. TCIs are associated with transient but relatively frequent burning and stinging sensations at the application site. Studies have reported that the higher the frequency of TCS/TCI use before the age of seven, the more likely AD is to persist beyond childhood. Pediatric patients are more inclined to use topical therapies.

The liver function of children is relatively immature compared to adults, resulting in significant differences in drug metabolism and transformation. In neonates, percutaneous absorption is much greater than in adults, so topical corticosteroids should be used with extreme caution. Plasma protein binding capacity is low in children and reaches adult levels only by age 3 to 4, making drug accumulation and drug-induced liver injury (DILI) more likely. The hepatic CYP3A4 activity in neonates, especially in preterm infants, is much lower than in adults, resulting

in decreased hepatic metabolism and clearance of drugs, which also increases the risk of DILI. The cytochrome P450 (CYP450) enzyme family is the most important group of enzymes in drug metabolism–these drugs typically contain ester or amide bonds in their structures.

Material Communications with Competent Authorities

Study	Phase	Competent Authority (Study Site)	IND Approval Date (YYYY-MM-DD)	Status	Details of Communication
Hemay808AD1S01 . .	I	NMPA (China)	2019-01-31	Completed	(1) In November 2018, we submitted an IND application to the NMPA for Hemay808 and was accepted by the NMPA. The CDE reviewed the pre-clinical study results and our plan to conduct a Phase I clinical trial for Hemay808 in healthy subjects. In January 2019, the NMPA approved our IND application to initiate the Phase I clinical trial for the treatment of mild to moderate AD with the recommendations for refinements to ensure subject safety.(1)
Hemay808AD2S01 . .	II	NMPA (China)		Completed	(2) In November 2018, we submitted to the CDE the summary clinical results from the Phase I study to seek for further guidance on the clinical development of Hemay808. Specifically, we sought for the CDE's review of Hemay808's Phase II study plans. CDE agreed with the trial plan submitted.

Note:

(1) The NMPA provided the seven recommendations for refinements to ensure subject safety. Firstly, the dose escalation design should be based on nonclinical data and consider both concentration and application area. Secondly, contraceptive measures should be extended to all subjects, including both males and females. For women of childbearing potential, additional risk mitigation — such as pregnancy testing, effective contraception throughout drug exposure, subject education, and clear informed consent regarding potential reproductive risks — should be implemented to minimize the risk to embryos or fetuses. Thirdly, systemic absorption and tissue distribution have been observed in nonclinical studies, necessitating close monitoring of both local and systemic adverse events, including laboratory abnormalities. In addition, care should be taken to prevent ocular exposure, as nonclinical data suggest possible corneal irritation. Fourthly, issues with contamination and procedural irregularities in animal toxicokinetic studies highlight the need for rigorous methodological validation and operational compliance in human pharmacokinetic assessments. Fifthly, early-phase trials should incorporate material balance studies. Sixthly, given the high prevalence of AD in pediatric populations, future trials in children and adolescents should be preceded by adequate safety and tolerability data, supported by juvenile animal toxicity studies. Finally, strict adherence to the clinical trial protocol and ICH-GCP guidelines is essential, with comprehensive communication of known and potential risks, robust subject protection measures, and prompt reporting of unexpected serious adverse events to ensure the highest standards of safety throughout the study.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET HEMAY808 SUCCESSFULLY.

Hemay181

Our key product, Hemay181 is a potential first in class Topoisomerase I target SDC drug with a mechanism of action. It is the first clinical-stage SDC drug globally that is activated by β-GU in the tumor microenvironment, offering broad-spectrum anti-tumor potential. After administration, Hemay181 demonstrated a metabolic stability during systemic circulation. Upon reaching the tumor site, β-GU cleaves Hemay181 to release the cytotoxic drug SN38, which offers enrichment of SN38 in tumor tissue.

Summary of Key Developments

The table below sets out the key developmental milestones of all ongoing and planned clinical programs of Hemay181 in each of the jurisdictions indicated as of the Latest Practicable Date:

Time	Milestone
China	
August 2022	IND approval obtained
March 2023 to current	Phase I (Safety, Tolerability, Pharmacokinetic Profile, and Preliminary Antitumor Activity) Initiated: March 2023 Expected completion: 2026[(1)] Phase Ib Initiated: 2026 Phase II Expected initiation: 2026 Expected completion: 2027
United States	
June 2023	IND approval obtained
Planned	Phase II[(2)] Expected initiation: 2026 Expected completion: 2029

Note:

(1) Phase I trial has completed full enrolment. Based on the data obtained, we have determined the recommended dose for the next stage.

(2) Considering the cost differences between the PRC and U.S. clinical trials, as well as the our research capabilities in China, we plan to complete the Phase I dose escalation for Hemay181 in China first, which expects to provide basis to directly initiate Phase II clinical trial in U.S. This approach is expected to minimize overseas clinical trials.

Summary of Clinical Trials of Hemay181

Sets forth below a summary of the clinical trials for the development of Hemay181 as of the Latest Practicable Date:

No.	Study Type/Title	Study Objectives	Material Results
1	Phase I Clinical Study to Evaluate the Safety, Tolerability, Pharmacokinetic Profile, and Preliminary Antitumor Activity of Hemay181 in Patients with Advanced Solid Tumors	Dose Escalation Phase: – To evaluate the safety and tolerability of Hemay181 in patients with advanced solid tumors and to determine the maximum tolerated dose (MTD). Dose Expansion Phase: – To evaluate the antitumor activity of Hemay181 in patients with advanced solid tumors.	Ongoing
2	Phase Ib Clinical Study to Evaluate the Preliminary Antitumor Efficacy and Safety of Hemay181 in Patients with Advanced Solid Tumors	Primary Objective: To evaluate the antitumor efficacy of Hemay181 in patients with advanced solid tumors. Secondary Objective: To evaluate the safety profile of Hemay181.	Ongoing

Material Communications with Competent Authorities

In May 2022, we submitted an IND application to the NMPA for Hemay181 and was accepted by the NMPA. The CDE reviewed the pre-clinical study results and our plan to conduct a Phase I clinical trial for Hemay181 to evaluate the safety, tolerability, pharmacokinetic profile, and preliminary antitumor activity of Hemay181 in patients with advanced solid tumor. In August 2022, the NMPA approved our IND application to initiate the clinical study based on the study protocol submitted. This IND approval is applicable to all phases of clinical trials of Hemay181 in injection form for the treatment of advanced solid tumor carried out in China.

In June 2023, we received FDA's approval to proceed with the clinical trial of Hemay181 in the United States.

Other Drug Candidates

As of the Latest Practicable Date, we had a pipeline of two other drug candidates. Hemay183 and Hemay5087 are broad-spectrum anti-tumor drugs. It is primarily used for the treatment of advanced solid tumors. As of the Latest Practicable Date, we were conducting preclinical studies for Hemay183. We have received the approval to conduct the phase I clinical trial of Hemay5087 from the NMPA in February 2026 and were in the process of preparing the clinical trial as of the Latest Practicable Date.

RESEARCH AND DEVELOPMENT

We have made significant efforts in identifying, developing and commercializing biotechnology and other pharmaceutical drug candidates. Our integrated R&D capabilities are proven by a track record of success. Our R&D capabilities are evidenced by our successful development of Mufemilast. These achievements reflect the strength of our proprietary technology platforms and our ability to discover, optimise and advance innovative drug candidates with potential. We believe our research platform for immuno-oncology and autoimmune platform for drug molecule are advanced in China. We are currently conducting additional target exploration and verification activities. We aim to continue to identify and evaluate new drug candidates for potential inclusion in our development pipeline, which could contribute to our long-term growth and sustainability.

Pipeline Progress and Portfolio Management

We manage our pipeline progress and portfolio through active monitoring of trial progress, disciplined capital allocation, a local-first geographic strategy that minimizes costly international studies, and a dual approach of early regulatory engagement paired with cautious clinical development planning.

Portfolio Prioritization

At the strategic core, we focus on our Core Products – Mufemilast and Hemay022 – and key oncology asset Hemay181. We have prioritized the development of Mufemilast for Ps given its clinical probability of success, capital efficiency, and accelerated regulatory approval, and successfully obtained NDA approval from the NMPA in September 2025. Our other focuses include additional indications for Mufemilast as we can leverage the clinical results and experience from the Ps clinical development. Our historical R&D investment reflects this strategic focus. During the Track Record Period, Mufemilast, Hemay022 and Hemay181 together accounted for approximately for 86.4% and 75.2% in 2024 and 2025, respectively. Separately, we plan to allocate the expected [**REDACTED**] in alignment with this prioritization strategy. Approximately [**REDACTED**]% of the expected [**REDACTED**] (HK$[**REDACTED**] million) are allocated to Mufemilast, supporting development and commercialization across multiple indications. Hemay022 will be allocated [**REDACTED**]% (HK$[**REDACTED**] million), and Hemay181 will be allocated [**REDACTED**]% (HK$[**REDACTED**] million).

Disciplined Capital Deployment and Discontinued Projects

We take a disciplined approach to capital deployment, prioritizing indications with clearer paths to commercialization over speed of trial progression. Accordingly, we have deprioritized Mufemilast for AS and Hemay007 for UC based on clinical data assessments. We actively monitor

and adapt study plans as needed, which may result in delayed initiation or extended timelines. For example, following Phase IIa results for Hemay808, we deferred the subsequent trial to reallocate resources to higher-priority programs such as Mufemilast. Development of Hemay808 continues, albeit at a slower pace, consistent with our portfolio prioritization strategy.

Trial Site and Regulatory Strategy

The selection of trial sites also has a bearing on the development time of a clinical program. In selecting trial sites, we consider factors such as patent coverage, cost efficiency, resource availability and regulatory requirements. For example, in the development of Hemay181, we elected to complete the Phase I dose escalation study in China first before commencement of clinical trials overseas. Results from the local study can be used to inform subsequent overseas trials. To maximize flexibility in clinical trial planning, we actively pursue regulatory approvals in advance of trial initiation.

Historical Development (2002-2009) and Discontinued Projects

Our R&D capabilities are rooted in early-stage innovation spanning 2002 to 2009, during which we focused on autoimmune and oncology therapeutics — a strategic focus that has remained consistent. This period laid the groundwork for our current Core Products and technology platforms, including a modular compound library and a biomarker-driven animal model screening system.

Key early projects included Hemay014, a small-molecule angiogenesis inhibitor for multiple myeloma, glioma, and liver cancer (patent filed 2003), which was discontinued following third-party funding delays; and Hemay101/102, developed for colorectal cancer, with Hemay102 advancing through IND approval (2016) and Phase I trials (2017) before being deprioritized in favor of Core Products. These projects pioneered a tumor microenvironment-targeted drug delivery approach that underpins our current chemotherapy platform.

Early pipeline assets including Hemay007 (patents filed 2005) and Hemay022 (development commenced prior to 2010 patent filing) were also initiated during this period. Although certain projects were discontinued due to funding constraints and strategic reprioritization, they materially contributed to our technical expertise and continue to inform the design and execution of our current R&D programs.

Our core R&D personnel consists of four members covering the fields of chemistry, biology, pharmacology and medicine. The following table sets forth a breakdown of the number of R&D team by function as of the Latest Practicable Date:

Identities	Positions	Expertise	Involvement and contributions to the R&D activities since the discovery of Core Products and key products	Date of joining our Group
Zhang Hesheng	Chairman of our Board, executive Director and general manager	Over 20 years of working experience in biomedical research and management	Day to- day operations and overall business strategy and planning of all Core Products and key products	July 2002
Huo Aihong	Executive Director and deputy general manager	Over 20 years' experience in pharmaceutical research	Product registration affairs and late-stage development matters of all Core Products and key products	June 2004
Charles Richard Jones . .	Chief medical officer	Over 30 years' experience in drug development and clinical research in the pharmaceutical and biotechnology industries	Drug development and medical affairs of all Core Products and key products	March 2024

Identities	Positions	Expertise	Involvement and contributions to the R&D activities since the discovery of Core Products and key products	Date of joining our Group
Zeng Guanghuai	Deputy general manager	Over 20 years' experience in pharmaceutical research	Early stage research and development and pre-clinical study of all Core Products and key products	August 2004

Our Directors confirm that save for Richard Jones, all core R&D personnel involved in the development of our Core Products and key products remained employed by us as full-time employees during the Track Record Period and as of the Latest Practicable Date.

R&D Process

We seamlessly integrate early-stage drug discovery, drug evaluation activities, and clinical development capabilities. By conducting comprehensive analyses of drug characteristics in conjunction with the diagnostic and therapeutic landscape and patient population profiles for relevant indications, we design differentiated clinical development strategies and clinical trial protocols. This approach enables us to provide more treatment options for conventional patient populations while also offering better therapeutic choices for patients.

We have developed a comprehensive and reliable drug research and development system covering the entire lifecycle of drug development, including early discovery, compound library construction, target validation, pharmacological screening, translational science, and clinical development.

Target Selection

The drug development process begins with the identification and confirmation of targets. With the profound insights of seasoned scientists, we select targets based on market trends, clinical needs, and hot topics. We conduct feasibility studies focusing on compatibility with our pathogen-driven biomarker animal models, target maturity and possibility to be a drug screening platform. Finally, we comprehensively evaluate risk factors, and commercial feasibility of the targets. The steps paved our ways to select target that have medicinal and commercial value.

Identification of Lead Compounds

We built up the compound libraries through our multiple pharmacological targeted modular compound library construction platform. We screen the compound libraries leveraging pathogen-driven biomarker animal model efficient screening platform to identify lead compounds. We have adopted a target-oriented drug molecule discovery model, synthesizing a series of compounds in the early stages of projects and utilizing a biomarker-efficient screening platform. Various animal models are established, such as pathogen-induced acute pneumonia rat screening models and autoimmune-related disease ear swelling screening models in mice. These enable us to identify lead compounds with potentially higher efficacy and safety.

Optimization of Lead Compounds into Drug Candidates

After identifying a lead compound, we initiate an optimization process through an integrated efforts of medicinal chemistry, pharmacology, metabolism study, toxicity study and CMC to get a drug candidate that should meet the following criteria: efficacy, safety profile, patentability and scale-up. We then push the drug candidate forward to IND track.

Clinical Development

We seamlessly integrate early drug discovery activities, drug evaluation efforts, and clinical development capabilities. By comprehensively analyzing drug characteristics and combining them with clinical diagnostic situations and indication features, accordingly we design differentiated clinical development strategies and clinical protocols. This approach provides more treatment options for conventional indication populations while offering better treatment choices for special indication populations.

Our R&D Platforms

We have established an integrated technology system covering the entire process of small molecule drugs from the early R&D stage to industrialization, which comprises multiple pharmacological targeted modular compound library construction platform, pathogen-driven biomarker animal model efficient screening platform, tumor microenvironment activation substructure combination chemotherapy drug design platform and differentiated clinical design platform. All platforms are self-developed and proprietary. We believe that the following four technical platforms are critically important to our R&D of drugs:

1. Multiple pharmacological targeted modular compound library construction platform. Our platform adopts a target-oriented drug molecule discovery model, allowing us to deeply explore the pharmacological mechanisms of drugs in clinical applications to achieve therapeutic effects while minimizing side effects. By leveraging a molecular structure combination strategy, we split known active compounds into main structures and variable ligand fragments. These fragments are then designed in large quantities to form groups with diverse biological activities. Finally, we assemble the fragments onto the main structure, creating a compound library with multiple functional combinations and high drug-likeness. Using this platform, we have developed a compound library with hundreds of functional combinations and high drug-likeness molecular structures derived from multiple known active compounds. This serves as a foundation for our subsequent drug screening efforts, enabling us to identify promising candidates for further development. This platform has enabled us to efficiently identify and optimize lead compounds targeting multiple disease pathways. For instance, several main structures in our compound library exhibit physiological activity against targets such as TNF-α, PDE4, and EGFR/HER2-TK. When developing new drug candidates — including Mufemilast, Hemay007, Hemay022, and Hemay808 — we selected optimal main structures and assembled different ligand fragments to design a series of compounds. These were then subjected to biological activity testing, from which we identified a range of promising candidates for subsequent in vivo and in vitro pharmacodynamic, metabolic, and preliminary toxicity evaluations.

2. Pathogen-driven biomarker animal model efficient screening platform. Biomarkers, which are measurable indicators of biological or pathological processes, allow us to evaluate the safety and efficacy of new drugs or therapies in target populations. By establishing multiple animal models, such as acute pneumonia screening models in rats and ear swelling screening models in mice for autoimmune-related diseases and biomarker, we are able to screen compounds with potentially higher efficacy and safety. These models rely on detecting biomarker levels that are highly correlated with clinical benefits, accelerating the drug development cycle. This platform has been instrumental in evaluating the safety and efficacy of compounds using relevant animal disease models and biomarker endpoints. For example, in the Mufemilast and Hemay007 projects, we employed a rat acute pneumonia model to screen compound series for their inhibitory effects on key pathogen-induced inflammatory cytokines, including TNF-α and IFN-γ. This approach allowed us to select the most effective and safest compounds for further development. Similarly, for the Hemay808 project, we utilized a mouse ear swelling model, using metrics such as ear swelling degree and inhibition rate to identify the most efficacious compounds.

3. Tumor microenvironment activation substructure combination chemotherapy drug design platform. We have developed a platform that designs chemotherapy drugs based on substructure combinations tailored to the tumor microenvironment. This platform enables us to identify key mechanisms regulating drug release and activity within the

tumor microenvironment. These subunits are carefully assembled to optimize drug-likeness, release profiles, and therapeutic windows. Using this platform, we have developed new chemotherapy drugs with improved pharmacokinetics, predictable release profiles, and enhanced therapeutic effects under acceptable safety profiles, allowing patients to derive greater clinical benefits. Through this platform, we have designed and optimized chemotherapy agents based on tumor microenvironment activation mechanisms. After identifying suitable core structures via biological activity assays, we further refined these using our substructure modular combination strategy. This led to the selection and optimization of three candidate drugs — Hemay181, Hemay183, and Hemay5087 — with enhanced metabolic stability, pharmacokinetics, and therapeutic windows.

4. Differentiated clinical design platform. We have established a clinical design and development platform led by an experienced clinical research team. Our team focuses on unmet medical needs and formulates targeted, compliant clinical research plans based on the mechanisms of action, beneficiary populations, disease epidemiology, and clinical data from similar indications. For example, the clinical trials of Hemay022 focus on ER+/HER2+ breast cancer patients with unmet medical needs, while Mufemilast is being developed as a broad-spectrum treatment for autoimmune diseases, covering multiple indications in its clinical program. By leveraging differentiated clinical design strategies, we ensure that our clinical trials are efficient and patient-centered, maximizing the potential benefits of our drug candidates. Our clinical development platform ensures that each program is strategically positioned to address unmet medical needs. For example, Mufemilast has been developed as a broad-spectrum therapy for autoimmune diseases, with psoriasis as the initial indication and plans to expand to additional autoimmune disorders. Hemay022 was strategically focused on ER+/HER2+ breast cancer based on early clinical data and differentiation from competitors. Other projects, such as Hemay007, Hemay808, and Hemay181, have also benefited from differentiated clinical design strategies to maximize clinical value and development efficiency.

Our R&D Center

We have a research, development and clinical trial team of 129 members as of December 31, 2025, all of which were full time employed as of the same date. Our Tianjin R&D center is responsible for all our research on drug candidates. The center is equipped with instruments including a liquid chromatography-mass spectrometry system (LC-MS), liquid chromatography workstation, laser particle size analyzer, medium-pressure preparative chromatography system, intelligent powder characteristics tester, among others. The R&D center comprises facilities such as an experimental animal center, medicinal chemistry laboratory, process laboratory, analytical laboratory, pharmacology laboratory, pharmacokinetics laboratory, and pharmacodynamics laboratory.

We first established Hemay Bio-Tech in Tianjin in 2002. Since then, we have positioned our principal R&D operations in Tianjin. Over the years, we have leveraged Tianjin's high concentration of talent — benefiting from the cluster of universities in the Beijing-Tianjin-Hebei region — to build an experienced R&D team. In addition, Tianjin's geographical advantages facilitate collaboration and communication with both domestic and international teams, as well as the management of clinical trials. As a result, Tianjin continues to serve as our primary R&D center.

The clinical development function of our fully-integrated platform manages clinical trials including clinical trial design, implementation, and the collection and analysis of trial data. As of the Latest Practicable Date, we have designed and implemented more than a dozen clinical studies.

Collaboration with CROs

We regularly engage qualified CROs, on a contract basis, to provide specific project related clinical trial services, such as managing, monitoring and inspecting projects, collecting clinical results, conducting data analysis and preparing clinical trial reports and other application materials for submission to the regulatory authority. We have maintained stable relationships with the CROs engaged during the Track Record Period.

Generally, we enter into specific contracts with CROs for individual projects. The terms for scope of work, payment, data and intellectual property rights, confidentiality and liability are defined in the contracts. We oversee these third-party service providers to ensure timely and high quality deliverables. Principal terms of the service agreements with our key CRO service providers are summarized as follows:

Scope of work. The CRO provides clinical trial services, including, among others, project management, pre-clinical studies regulatory support, investigator meeting arrangement, clinical monitoring and site management, medical and scientific services, clinical data management and medical report preparation.

Payment. We are required to pay the CRO specialty service fees, pass-through costs and other fees and expenses by installments.

Research results and intellectual property rights. All data and information provided by the CRO to us and intellectual property rights as the result of the services performed by the CRO under the service agreement belong to us.

Confidentiality. Each party to the service agreement is obligated to keep confidential all confidential information received from the other party. The obligation of confidentiality generally remains in effect after the completion or termination of the service agreement.

Our Company has established a comprehensive standard for the selection of qualified CROs. In selecting CROs, our Company conducts a rigorous assessment process that considers the CRO's regulatory compliance history, technical expertise, operational capacity, track record in relevant therapeutic areas, and financial stability. Only CROs that meet our internal qualification criteria and demonstrate a robust quality management system are engaged.

To ensure the quality and integrity of outsourced activities, our Company implements ongoing supervision of CRO performance through periodic audits, review of key deliverables, and regular project meetings. Our Company also requires CROs to adhere strictly to applicable regulatory requirements and our Company's internal policies. Any deviations or deficiencies identified during oversight activities are promptly addressed through corrective and preventive actions.

Project Initiation and Drug Candidate Development Process

We have established a comprehensive process for the initiation and development of our research and development ("R&D") projects.

Our Discovery Division is primarily responsible for target selection, identification of lead compounds and optimization of lead compounds into drug candidates. Our Development Division is primarily responsible for the clinical development. See "— Research and Development" for details. We have also established protocols for R&D project modification, suspension, or termination. Our project teams regularly report progress and research data to our Executive Committee to assess execution and risk. Any changes, suspensions, or terminations require formal application and approval by our Executive Committee.

Clinical Trial Management System

We have implemented a clinical research management system designed to ensure that the conduct, data generation, recording, and reporting of our clinical trials adhere to the study protocol and applicable Good Clinical Practice ("GCP") requirements.

Our Clinical Department is responsible for establishing a comprehensive regulatory system covering the entire process from new drug molecule discovery and process development to quality research, including the establishment and validation of quality standards, stability studies, reference standard studies, as well as testing and release procedures.

Pre-Trial Management:

Prior to the initiation of clinical trials, we complete preclinical studies — including product design, quality testing, animal studies, and risk analysis — ensuring that results support the planned clinical trial. We select qualified clinical trial sites and investigators based on the characteristics of

the investigational product, and execute written agreements covering trial design, quality control, responsibilities, costs, and injury management. Essential documents such as informed consent forms, protocols, investigator brochures, case report forms, and standard operating procedure are prepared. We make regulatory submissions to relevant authorities and obtain ethics committee approvals.

Trial Conduct:

During the clinical trial, we ensure uninterrupted supply of investigational product, monitor trial sites, maintain quality assurance, and address issues in collaboration with investigators. Amendments to protocols or consent forms, deviations, or trial resumptions require prior written ethics committee approval. We are responsible for trial safety and must promptly notify all sites and investigators of any information that may impact participant safety or trial continuation, and take appropriate action. Decisions to suspend or terminate a trial are communicated to all relevant parties and regulatory authorities within five days, with written explanations. We are responsible for monitoring compliance with protocols and regulations, correcting any deviations, and, if necessary, terminating the trial and notifying authorities. We establish monitoring plans to ensure data accuracy, integrity, and protocol adherence, with written reports prepared after each monitoring visit. Independent audits may be conducted to assess trial conduct and compliance.

Post-Trial Management:

Upon trial completion, we assist investigators in collecting and verifying trial data, ensuring authenticity and traceability, and provide verified data for statistical analysis. We coordinate with principal investigators to prepare final trial reports, assist in organizing and archiving all trial-related documents, conduct final site visits, notify ethics committees, and close trial sites. Final summary reports are submitted to the competent authorities as required.

Collaboration with CMO Partners

We collaborate with CMOs to support and conduct our preclinical and clinical studies in alignment with industry practices. Our key CMO partners are equipped with sufficient production capacity and commercial production expertise in the critical compounds required for our R&D activities. They assist in manufacturing specific raw materials and drug substances for our product candidates, ensuring a steady supply for preclinical studies and clinical trials. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any product quality issues, such as unsuccessful production releases or product recalls, related to products manufactured by our CMO partners.

Key Terms of Our Collaboration:

- **Service Agreements:** Under our agreements, CMO partners are obligated to perform their services within the prescribed time frames outlined in the contracts. Payments are typically made in installments, adhering to a specified credit period.
- **Manufacturing Standards:** Our CMO partners are responsible for producing products that meet specific product specifications, comply with cGMP (current Good Manufacturing Practices) requirements (where applicable), and align with our internal quality standards.
- **Intellectual Property and Technology Use:**
  - We retain full ownership of all intellectual property rights.
  - CMO partners are granted limited rights to use our IP solely for manufacturing and packaging activities during the contract period.
- **Inspection and Audit Rights:** We have the right to inspect and audit the manufacturing processes of our CMO partners to ensure compliance with our standards.

In 2024 and 2025, we have cooperated with three and two CMOs and 16 and 15 CROs, respectively.

Below sets forth the expenses which we have incurred during the Track Record Period:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
CMO	1,589	3,058
CRO	31,886	22,674
Total	**33,475**	**25,732**

COOPERATION WITH THIRD PARTIES

Cooperation with Nankai University

Since June 2017, we have been coordinating with Nankai University, an Independent Third Party in connection with development of novel immunotoxins and miniaturized antibody-drug conjugate similar Drugs. Our first phase cooperation with Nankai University yielded satisfactory results. Hemay181 was delivered by a working group during our cooperation between June 2017 to June 2022. Under our prior cooperation agreement, we would pay Nankai University RMB1 million if Hemay181 enters into phase II clinical trial; and if Hemay181 is approved for market entry, we shall pay Nankai University a milestone reward of RMB5 million. As of the Latest Practicable Date, such milestone was not met.

As an alumnus of Nankai University and an expert in the innovative drug area, Dr. Zhang frequently interacted with relevant institutes and departments of Nankai University. Through these interactions, we became aware of certain preliminary research conducted by a team from the School of Life Sciences at Nankai University. Upon internal assessment, we determined that, by leveraging our experience and technological platform in innovative drug development to further optimize these early-stage results, it would be possible to identify distinctive anti-tumor drug candidate molecules. Meanwhile, the university team, lacking subsequent funding and experience in the translational development of innovative drugs, had been actively seeking external collaboration opportunities. Given the complementary needs and strengths of both parties, a consensus was reached to enter into a cooperative arrangement. Nankai University has a growing profile in biological research and drug development and houses several state or municipal key laboratories. The current cooperation period is from July 2022 to June 2027. Below sets forth the salient terms of the current cooperation agreement:

Roles and Obligations: Under this cooperation, the research direction is jointly determined through mutual discussions. Nankai University is responsible for the identification of candidate compounds per the jointly developed research plan. Upon successful identification of a candidate, we assume full responsibility for subsequent clinical development, including preclinical studies, regulatory submissions, and clinical trial execution. We are also responsible for the filing and maintenance of patent applications, as well as the commercialisation of any resulting intellectual property. This division of responsibilities reflects a cooperative framework while ensuring that we retain control over the downstream development and commercial pathway of the programme.

Research: The research aims to develop two immunotoxin candidate drugs and two miniaturized ADC candidate drugs for us to conduct subsequent preclinical studies. By June 30, 2027, the working group designated by Nankai University should deliver the four drug candidates and research materials.

All four candidates are being developed in injectable form and target either hematologic or solid tumor indications. As of the Latest Practicable Date, lead compounds have been identified in two of the four candidates, with current efforts focused on process scale-up and optimisation of the manufacturing route. The remaining two candidates are undergoing compound identification.

Upon delivery, we will assume full responsibility for all subsequent development activities of the candidate. Nankai University will not continue to participate in the research and development of the candidates after delivery.

During the term of cooperation, we shall provide the working group necessary guidance and assistance, and we have the right to supervise and inspect the working group's work, and provide suggestions to their product.

R&D Cost: We will be responsible for the research cost, which is expected to be more than RMB3.5 million. Under our cooperation agreement with Nankai University, R&D cost are determined on a budget basis, jointly agreed by both parties in accordance with the work plan for each academic year. We shall pay Nankai University R&D cost in principal not less than RMB700,000 in total for each period, with the first period covering the effective date of the agreement to June 30, 2023 (the "**Initial Period**"), and each subsequent period running from July 1 to June 30 of the following year until June 30, 2027. During the Track Record Period, we made payments of RMB700,000 to Nankai University in two equal instalments for each of the Initial Period and the two academic years ended June 30, 2024 and 2025.

Milestone: For each new molecular drug developed by Nankai University's working group that becomes a new drug, we will pay them up to RMB6 million.

The cooperation agreement with Nankai University does not contain provisions for liquidated damages or penalties in the event of delay or failure to deliver the agreed drug candidate. In such circumstances, the parties are to resolve the matter through amicable negotiations and agree on an alternative research deliverable. Upon reaching such agreement, Nankai University is obliged to deliver the substitute work.

Intellectual Properties: Intellectual property rights, including rights arising from the research and development, patent applications and any derivative rights (such as continuations, divisional applications, certificates of invention, supplementary certificates, etc.), in China and globally are owned by us.

Rights to Subsequent Improvements

During the cooperation period, Nankai University and us have the right to use the research and development results for further improvements; and any new technological achievements with substantive or creative advancements resulting from such improvements belong to us.

After the contract ends:

- If the parties do not continue their cooperation, Nankai University retains the right to use the research and development results for further improvements.
- Any new technological achievements with substantive or creative advancements resulting from such improvements belong to Nankai University.
- If Nankai University decides to transfer intellectual property rights resulting from these improvements, we shall be given priority and the right of first refusal under equal conditions.

There have been no occurrences where we and Nankai University had any differences in views nor had not come to an agreement. While the cooperation does not involve a formally established joint steering committee, project governance is maintained through biannual summary meetings, chaired by Dr. Zhang. During these sessions, Nankai University reports progress updates and we provide feedback and discuss with Nankai University any proposed adjustments to the research plan. In addition to these structured meetings, we maintain regular communication throughout the course of the project. If Nankai University is unable to deliver the candidates as scheduled or to our satisfaction, we have full discretion to determine whether to continue or terminate the cooperation, taking into account Nankai University's recommendations and the overall alignment with our strategic objectives.

Our Historical Cooperation with Zhuang Entities

During the course of our development of Mufemilast, we cooperated with entities controlled by Mr. Zhuang (the "**Zhuang Entities**") for a period of time. The cooperation was centered on our Group providing the core R&D expertise and the Zhuang Entities providing funding for R&D, culminated in our acquisition of all rights to the product in December 2020.

The history of this arrangement is set out below.

Initial R&D and Funding Arrangements (2003-2009)

In 2003, our founder, Dr. Zhang, became acquainted with Mr. Zhuang at an investment promotion conference. At the time, Zhuang Entities were primarily focused on the production of generic drugs and sought to expand into innovative drug development. Recognizing our capabilities, cooperation was subsequently formed. The relationship was formalized through an agreement in November 2006 (the "**Core Agreement**"). Under the Core Agreement, Hemay Bio-Tech was designated to conduct preclinical research and development activities, and a Zhuang Entity was primarily responsible for funding the R&D expenses. The agreement also provided an initial framework arrangement whereby, upon commercialization, we would primarily receive the net profits generated from overseas sales while the Zhuang Entity would primarily receive the net profits generated from PRC sales.

Novation of Rights (2009-2016)

Between 2009 and 2016, the cooperation agreements underwent several novations. These changes were driven by internal corporate restructurings within Zhuang Entities, which were not related to the R&D progress of Mufemilast. The major terms of the arrangement remained the same whereby we were the party responsible for the R&D of Mufemilast and Zhuang Entities were the party responsible to provide funding for R&D.

In June 2016, as Mr. Zhuang was disposing of his interests in the entities he used to participate in the collaboration to unconnected third parties, he arranged for all rights and obligations related to the Mufemilast project to be transferred to Truman, an entity wholly owned by Mr. Zhuang's son, and an associate of Hailing Chemical prior to the completion of the abovementioned disposal. Truman had then designated Mr. Zhuang as its representative to exercise such rights and obligations.

Final Acquisition of All Rights by Us (December 2020)

As the development of Mufemilast advanced, Mr. Zhuang expressed a desire to cash out his investment to fund other projects. Concurrently, our Group recognized the significant value of Mufemilast and sought to consolidate all worldwide commercial rights to streamline its path to market.

An agreement was entered into between Mr. Zhuang, Truman, and Hemay Bio-Tech, which definitively concluded the cooperation on December 30, 2020 (the "**December 2020 Agreement**"). It was agreed that Truman would transfer all of its rights and obligations related to the Mufemilast project to Hemay Bio-Tech (the "**Transfer**") for a consideration of RMB250 million. The consideration was determined with reference to an independent valuation which valued the total value of Mufemilast project at the relevant time to be RMB365 million. The consideration of RMB250 million was the commercially negotiated price, representing the portion of rights to the Mufemilast project held by Truman and to extinguish all of their present and future claims on the project's profits. Our Group paid Truman RMB30 million in cash and issued shares in our Company valued at RMB220 million for the Transfer. For details of the transfer, please see the section headed "History, Development & Corporate Structure — Major corporate development of our Company — Series C financing — Rights and interests in Mufemilast".

Pursuant to the December 2020 Agreement, it was agreed that the rights and obligations relating to Mufemilast would be transferred to us effective on the date of signing of the agreement on December 30, 2020. The December 2020 Agreement further specified that, from the date of the agreement, Truman no longer held any rights or obligations in respect of the Mufemilast project. Since the date of the December 2020 Agreement, we have assumed all responsibility for all activities relating to Mufemilast project and neither Mr. Zhuang nor Truman retained any rights, obligations or otherwise had ongoing involvement in the Mufemilast project. Mr. Zhuang confirmed that there were no outstanding disputes, claims, or debts in relation to any of the historical agreements. As of the Latest Practicable Date, there has been no other research cooperation arrangements between us and Truman or its associates.

Throughout the entire cooperation period, our Group was the sole party responsible for the scientific and technical R&D of Mufemilast. The role of the Zhuang Entities and Truman was limited to providing funding for R&D. For the entire period, the Zhuang Entities and Truman

provided a total of RMB95.4 million in funding as per our cooperation agreements to support our R&D work for Mufemilast. There have been no occurrences where our Group and the Zhuang Entities had any material differences in views or failed to reach an agreement regarding the development of Mufemilast.

The Development of Mufemilast During and Post-Cooperation

The development of Mufemilast was an iterative scientific process conducted by our R&D team. Throughout our cooperation with the Zhuang Entities, our Group had sole, independent, and effective control over all aspects of Mufemilast. Mufemilast was developed and handled by our research team in-house. See "— Research and Development" for description of our core R&D personnel.

We led and executed all core technical and regulatory workstreams, including responding to technical inquiries, conducting supplementary research, and preparing submission materials.

At the time of submitting the IND application for Mufemilast for the treatment of moderate to severe plaque Ps in December 2012, the project was still a cooperating effort between the Zhuang Entities and us. Under the cooperative arrangement, Hailing Chemical, a Zhuang Entity, held an interest in the project and was included as co-sponsor for the IND. This arrangement reflected the commercial understanding that Hailing Chemical's manufacturing capabilities could be of use in anticipation of future production of Mufemilast. Although Hailing Chemical was listed as a co-sponsor in the IND application, its role was limited to funding support and local regulatory coordination. During the IND application process, which required coordination with both provincial and national drug regulatory authorities, Hailing Chemical assisted with certain local regulatory liaison activities. As advised by our PRC Legal Advisor, under applicable PRC regulations, the designation of an entity as a co-sponsor in a clinical trial does not impose a mandatory requirement for such entity to personally participate in the research and development process, provided that all sponsor-related obligations are duly fulfilled. Since the initiation of the first clinical trial of Mufemilast in 2016, we have been undertaking all sponsor-related obligations and the implementation of the clinical trials. Hailing Chemical has not held any rights or obligations in the project since it ceased to be a Zhuang Entity in June 2016. However, due to Hailing Chemical being listed as a co-sponsor in the original IND application for Mufemilast, the "Drug Clinical Trial Registration and Information Disclosure Platform" (藥物臨床試驗登記與信息公示平台) continues to reflect this designation. This is because the platform requires the "applicant name" to exactly match the name(s) on the original clinical trial application and approval documents. However, this listing does not indicate any actual involvement by Hailing Chemical in the R&D or clinical development of Mufemilast. Notwithstanding the continued display of Hailing Chemical as a co-sponsor on the platform, the NMPA has approved our Company as the sole marketing authorisation holder for Mufemilast. This confirms that the listing of Hailing Chemical's name does not necessarily confer any ownership interest or rights in the product, nor does it reflect any ongoing role in the research and development or clinical execution of Mufemilast. The abovementioned co-sponsor arrangement and the jointly submitted IND application with Hailing Chemical only cover the indication of moderate to severe plaque Ps. We are the sole sponsor for other indications of Mufemilast.

Following the preclinical stage, our dedicated clinical team took responsibility for and independently managed and executed the clinical trials for Mufemilast. Since the end of the cooperation, our research team has continued to optimize and develop new indications for Mufemilast and we continued to advance the development of Mufemilast. We had independently obtained IND approvals for several indications, communicated regulatory with the relevant authorities, and received no objection to proceed to next phase of clinical development. See "Business — Our Clinical-Stage Drug Candidates — Mufemilast — Summary of Key Developments" for details.

At no point during the cooperation was there a joint steering committee or other joint decision-making body. We were the responsible party making all R&D and clinical strategy decisions relating to Mufemilast. Zhuang Entities did not participate in the inventive process or contribute to the know-how. The daily operations of the R&D activities in Mufemilast were managed and controlled by us. All key meetings held with NMPA to discuss the clinical development of Mufemilast were attended by our Group with no technical contribution from the Zhuang Entities. Save as disclosed above in relation to the provision of R&D funding, regulatory coordination and the initial registration of Hailing Chemical as a co-sponsor for the clinical trial

application of Mufemilast for the treatment of moderate to severe plaque Ps, the Zhuang Entities and its affiliated entities had not been involved and will not involve in any R&D, clinical development and registration, IP invention and other material aspects in relation to Mufemilast since its discovery.

The NDA for Mufemilast was submitted to the NMPA by our Company as the sole applicant. The NMPA approved the NDA application in September 2025 and issued a drug registration certificate, under which our Company is the sole marketing authorization holder (藥品上市許可持有人) and control all material aspects of Mufemilast in China. We do not have any profit-sharing agreement with any Zhuang Entities as of the Latest Practicable Date; and, we are not aware of any profit-sharing claim from Zhuang Entities against our Group in connection with patent rights relating to the Core Products and other product candidates.

Below sets forth the respective involvement and contributions by the Zhuang Entities and Truman since the discovery of Mufemilast till NDA:

Stage	Compound Discovery Stage	Preclinical Study Stage	Phase I Clinical Trial	Phase II Clinical Trial	Phase III Clinical Trial	NDA
Period	2007 to 2009	2010 to December 2012	December 2016 to October 2018 (including three clinical studies: SAD, food effect, and MAD)	First patient enrolled to final report issuance: June 2019 to July 2021 (Ps Phase II only)	First patient enrolled to final report issuance: January 2022 to July 2023	April 2024 till September 2025
Zhuang Entities and Truman's contribution	N/A	Funding only	Funding only	Funding only	N/A	N/A

To the knowledge of our PRC Legal Advisor, the Company has the exclusive right to commercialize, exploit and use the patents owned by the Group, and no third party has any ownership right in or to any of the Group's patents or patent application. None of our patents or patent applications list any Zhuang Entity as inventors. As of the Latest Practicable Date, we had not been involved in any proceedings regarding, and had not received notice of any claims of infringement of, any intellectual property rights in relation to Mufemilast.

From July 2016 to December 2021, Truman was a financial investor in Tianjin Hemay Oncology. During this period, Mr. Zhuang served as the vice chairman and general manager of Tianjin Hemay Oncology. His role was primarily to represent Truman on the board of directors and he did not participate in the day-to-day operations of Tianjin Hemay Oncology. Other than this historical position in Tianjin Hemay Oncology, neither Mr. Zhuang nor any of his family members have historically assumed or currently assume any other role, directorship, or employment position within our Group. Save as funding received for our Mufemilast's R&D activities, we did not receive any assistance in connection with the research on Mufemilast or any other drugs from Zhuang Entities and Truman or any other person which may cast doubt on the belongings or intellectual property rights of our Core Products and key products.

MANUFACTURING AND QUALITY CONTROL

Production Base

Our Xiajiang Manufacturing Facility, located in Xiajiang County, Ji'an City, Jiangxi Province, has been operational since October 2022. Spanning over 46,000 sq.m with 63 employees as of December 31, 2025, the facility serves as the core production hub for APIs and high-end intermediates supporting both commercialized products and clinical development. It comprises three production lines with a designed capacity of approximately 5.8 tons per annum, of which approximately 1.4 tons are currently operational; the remaining capacity is pending completion of installation and inspection, with commissioning aligned to actual commercial and clinical demand.

Currently dedicated to Mufemilast API production, the facility is designed for operational flexibility, enabling product line switches within approximately one week following standard cleaning procedures. For products outside the original scope, necessary technical and regulatory adjustments will be assessed on a case-by-case basis. All production processes adhere to standardized procedures, with a dedicated technical team overseeing process optimization to ensure product quality, stability, and consistency.

Below set forth the details of the capacity and utilization rate of our Xiajiang Manufacturing Facility during the Track Record Period:

			For the year ended December 31,			
			2024		2025	
	Unit	Annual design capacity[1][2]	Annual production volume[1]	Utilization rate[3]	Annual production volume[1]	Utilization rate[3]
API	**Kilograms**	**1,400**	**89.8**	**6.4%**	**32.2**	**2.3%**
Mufemilast	Kilograms	–	89.8	–	–	–

Notes:

(1) In thousands of units.

(2) Based on 250 production days per year and eight hours in operation per day and includes operational production lines only. If all production lines are fully operational, Xiajiang Manufacturing Facility has an annual design capacity of 5.8 tons.

(3) Calculated as the percentage of actual production volume over the design production capacity for the periods indicated.

Our Ganzhou Manufacturing Facility, located in the Western Section of Lvyuan Avenue, High-tech Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province, covers an area of approximately 27,000 sq.m. It commenced operation in March 2021. The facility primarily meets the needs for commercial-scale drug formulation production and supply, as well as pilot-scale formulation development and clinical supply for certain investigational drugs. As of December 31, 2025, the Ganzhou Manufacturing Facility had 68 employees and is equipped with three production lines: with a designed production capacity of 115 million tablets and 10 million ointments per annum. In the initial phase, the facility has focused on the pilot production and clinical supply of Mufemilast Tablets and Hemay022 Tablets.

Below set forth the details of the capacity and utilization rate of our Ganzhou Manufacturing Facility during the Track Record Period:

			For the year ended December 31,			
			2024		2025	
	Unit	Annual design capacity[1][2]	Annual production volume[1]	Utilization rate[3]	Annual production volume[1]	Utilization rate[3]
	(in thousand)					
Tablets	**pieces**	**115,000**	**1,375**	**1.2%**	**1,245**	**1.1%**
Mufemilast	pieces	–	1,200	–	400	–
Hemay022	pieces	–	–	–	120	–
Other products	pieces	–	175	–	725	–
Ointments	**tubes**	**10,000**	**–**	**–**	**102**	**1.0%**
Other products	tubes	–	–	–	102	–

Notes:

(1) In thousands of units.

(2) Based on 250 production days per year and eight hours in operation per day.

(3) Calculated as the percentage of actual production volume over the design production capacity for the periods indicated.

Quality Management

We have established dedicated Quality Assurance (QA) and Quality Control (QC) teams to oversee and implement our quality management procedures across all aspects of our operations. Our QA team is responsible for ensuring that all products and processes are fully compliant with applicable regulatory standards and internal guidelines. The QC team is tasked with comprehensive testing and analysis to verify that raw materials, intermediate products, and finished products consistently meet predetermined quality standards, and that all testing methods employed are robust and reliable.

Our internal quality management system encompasses the entire lifecycle of our products and is structured in accordance with current Good Manufacturing Practice (cGMP) standards and other relevant regulatory requirements. We continuously review and improve our quality management protocols through regular monitoring of our laboratory controls, production processes, materials management, equipment and facility operations, as well as packaging and labeling systems, to ensure ongoing compliance and product integrity.

Production Process and Environmental Controls

We have implemented rigorous monitoring and control measures throughout the production process to ensure product quality and operational reliability. The purified water system is subject to comprehensive inspection of operational records, online and offline monitoring data, and system logs. HVAC and air purification systems are routinely monitored, documented, and validated to ensure a controlled manufacturing environment. The compressed air system undergoes regular inspection of operational logs, oil and water removal devices, and periodic sampling for quality compliance. Warehouse operations enforce strict labeling, segregation, and storage controls, with continuous temperature and humidity monitoring and full documentation of all storage and distribution activities.

Our QC function is responsible for issuing timely testing reports on materials, products, and environmental monitoring, and implements effective in-process controls at each manufacturing stage to ensure consistent production of safe, effective, and high-quality products. QC personnel are expected to perform daily testing with precision, pursue continuous professional development, and actively contribute to process and cleaning validation, equipment qualification, and environmental monitoring programs.

We utilize advanced information management systems to support dynamic control and traceability of materials and products throughout the entire process. All quality activities are subject to supervision and oversight by designated quality management personnel to ensure strict adherence to established protocols. Our comprehensive quality control framework enables us to reliably support batch release testing, method validation, and regulatory inspections, thereby safeguarding product quality and patient safety.

PROCUREMENT AND SUPPLIERS

We procure equipment for the development and manufacture of our drug candidates from leading and reputable manufacturers and suppliers domestically. We maintain a dedicated clean work area for cell-based experiments and independently manage a cell bank comprising approximately 110 human- and animal-derived tumor and normal cell lines. Multiple copies of each cell line are expanded and stored in two separate cryopreservation units, with one set used as working cells and the other retained as a backup. During the course of experiments, specific modifications may be made to cell lines as needed, such as developing drug-resistant cell lines, to support our drug development efforts. We purchase cell culture media one third-party supplier on a regular basis. We use CROs and consultants to manage, conduct and support our clinical trials in China. Our purchases include raw materials, third-party contracting services for research and development services, machines and equipment. In 2024 and 2025, purchases from our largest supplier accounted for approximately 29.6% and 19.7%, respectively, of our total purchases. For the same periods, purchases from our five largest suppliers accounted for approximately 47.5% and 52.4%, respectively, of our total purchases. We have established relationships with preferred

suppliers of raw materials for our manufacturing activities who we believe have sufficient capacity to meet our demands. In addition, we believe that adequate alternative sources for such supplies exist and we have developed alternative sourcing strategies for these raw materials.

The following table sets forth details of our five largest suppliers during the Track Record Period:

For the Year Ended December 31, 2024

Rank	Supplier	Products/ Services Provided	Purchase Amount	Percentage of Total Purchase	Business Relationship Since	Credit terms	Payment Method
			(RMB in thousand)	*(%)*			
1	Supplier A[(1)]	Clinical trial services to support Phase III trial of Mufemilast for the treatment of BD, Phase II trial of Mufemilast for the treatment of AD, Phase III trial of Hemay022 and Phase I trial of Hemay181	21,043	29.6	2021	10 working days	Bank transfer
2	Supplier F[(3)]	Clinical trial services to support Phase II trial of Mufemilast for the treatment of UC	4,093	5.8	2022	5 working days	Bank transfer
3	Supplier G[(4)]	Clinical trial services to support the NDA application of Mufemilast for the treatment of Ps and Phase I clinical studies of Mufemilast	3,476	4.9	2019	15 working days	Bank transfer
4	Supplier H[(5)]	Financing advisory services in connection with an equity financing project	2,774	3.9	2024	15 working days	Bank transfer
5	Supplier D[*(2)]	Engineering and construction services for the Xiajiang Manufacturing Facility, including mechanical and electrical installation works for production lines not yet in operation, and equipment upgrades for those already commissioned	2,334	3.3	2022	5-15 working days	Bank transfer

For the Year Ended December 31, 2025

Rank	Supplier	Products/ Services Provided	Purchase Amount	Percentage of Total Purchase	Business Relationship Since	Credit terms	Payment Method
			(RMB in thousand)	*(%)*			
1	Supplier A[(1)]	Clinical trial services to support Phase III trial of Mufemilast for the treatment of BD, Phase II trial of Mufemilast for the treatment of AD, Phase III trial of Hemay022 and Phase I trial of Hemay181	12,729	19.7%	2021	10 working days	bank transfer

Rank	Supplier	Products/ Services Provided	Purchase Amount	Percentage of Total Purchase	Business Relationship Since	Credit terms	Payment Method
			(RMB in thousand)	*(%)*			
2. . .	Supplier I[(6)]*	Clinical trial services to support the NDA application of Mufemilast for the treatment of Ps and Phase I clinical studies of Mufemilast, and pre-clinical studies for Hemay5087	9,649	15.0%	2018	15 working days	bank transfer
3. . .	Supplier G[(4)]	Clinical trial services to support the NDA application of Mufemilast for the treatment of Ps and Phase I clinical studies of Mufemilast	6,403	9.9%	2019	15 working days	bank transfer
4. . .	Supplier K[(8)]	Drug development services to support the IND application and related research in relation to Hemay5087	2,912	4.5%	2019	30 days	bank transfer
5. . .	Supplier J[(7)]	Engineering and construction services for the research and security buildings of the Anhui manufacturing facility	2,108	3.3%	2024	7 days	bank transfer

* The supplier is a group consolidating the transaction amounts of two entities.

(1) Supplier A is principally engaged in the research and development, technical services, and commercialization of pharmaceutical products and technologies. The company focuses on drug development, pharmaceutical process optimization, and regulatory consulting, serving both domestic and international clients in the pharmaceutical industry. Supplier A is a small sized company measured by its number of employees. It is headquartered in Beijing.

(2). Supplier D specializes in mechanical and electrical engineering services. Its business covers engineering design, equipment installation, system integration, and technical consulting for industrial and infrastructure projects. Supplier D is a small sized company measured by its number of employees. It is headquartered in Jiangsu.

(3). Supplier F mainly offers contract research organization (CRO) services, including clinical trial management, regulatory affairs, data management, and statistical analysis for pharmaceutical, biotechnology, and medical device companies. Supplier F is a small sized company measured by its number of employees. It's headquartered in Beijing.

(4). Supplier G specializes in preclinical research and development services for new drugs. The company's business scope includes pharmacology and toxicology studies, drug safety evaluation, and technical consulting services. Supplier G is a small sized company measured by its number of employees. It's headquartered in Wuhan.

(5). Supplier H is engaged in investment management and related advisory services. The company focuses on equity investment, asset management, and financial consulting. Supplier H is a small sized company measured by its number of employees. It's headquartered in Shanghai. Supplier H has advised us to complete the Series E financing.

(6) Supplier I are members of a listed company on the Stock Exchange and the Shanghai Stock Exchange. The listed company focuses on providing new drug R&D and production services to the global pharmaceutical and life science enterprises. It is headquartered in Shanghai. As of December 31, 2024, the listed company had over 30,000 employees.

(7) Suppliers J is principally engaged in housing construction, municipal engineering, foundation and steel structure projects, as well as construction labor subcontracting, decoration and renovation works, and building materials sales. Supplier J is a small-sized company measured by its number of employees and is headquartered in Anhui.

(8) Supplier K operates as domestic contract development and manufacturing organization (CDMO) for the pharmaceutical industry. The company provides chemical and biological drug development and manufacturing services, covering the entire product lifecycle from early clinical research to commercialization. Supplier K is listed on the Shenzhen Stock Exchange and is headquartered in Chongqing. As of December 31, 2024, the company had over 4,000 employees.

Supplier H is the general partner of certain [**REDACTED**] Investors, being Aile Zhide, Xiade Investment, Yide Investment and Linde Investment. Save for the above, all our top five suppliers in 2024 and 2025 are Independent Third Parties, and none of our Directors, their respective associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) had any interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any return of supplies due to quality defects or any significant delays or shortage of supply of raw materials. We expect to be able to maintain adequate sources of quality supplies in the future.

INTELLECTUAL PROPERTY

The proprietary nature of, and protection for, our drug candidates and their methods of use are an important part of our strategy to develop and commercialize medicines, as described in more detail below. We have obtained patents and filed patent applications in China, the United States and other countries, relating to certain of our drug candidates, and are pursuing additional patent protection for them and for other of our drug candidates and technologies. We rely on trade secrets to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection including our manufacturing processes.

We also rely on know-how and continuing technological innovation to develop, strengthen and support our development programs. As of the Latest Practicable Date, we owned nine issued patents in China, 16 issued patents in the U.S., 62 issued patents in other jurisdictions, and 66 patent applications in China, the U.S. and other jurisdictions in relation to our Core Products and key products and the technologies of our four technology platforms. With respect to any issued patents in the United States and Europe, we may be entitled to obtain a patent term extension to extend the patent expiration date provided we meet the applicable requirements for obtaining such patent term extensions.

All of the inventors of our patents and patent applications were employees of our Group at the time the relevant inventions were made, except for ten patent applications relating to "Camptothecin prodrugs and pharmaceutical combinations thereof," which list Mr. Hong Zhangyong as an inventor. Mr. Hong is not a full-time employee of our Group but served as the technical lead for this project under our collaboration with Nankai University. As per our arrangement with Nankai University, we remain the sole owner of the patents. No payment is to be made by us to Mr. Hong Zhangyong and/or Nankai University in relation to these patents in addition to the agreed fees as stipulated in the relevant cooperation agreement.

Among all our issued patents and patent applications, for those that are material our business, see "Appendix VII Statutory and General Information — B. Further Information about Our Business".

The table below sets forth a summary of the material patents of our Core Products and key products as of the Latest Practicable Date:

Product	Patent Type	Number of Patents Granted	Number of Pending Patents	Jurisdiction	Patent Owner/Patent Applicant
Mufemilast	Invention	12	2	China, Australia, Brazil, Europe, Japan, Canada, U.S., South Africa, Korea, Russia, Mexico	Our Company/Tianjin Hemay Pharmaceutical/ Xiajiang Hemay
Hemay022	Invention	12	1	China, Hong Kong, Canada, Australia, Europe, Japan, Brazil, Russia, U.S.	Our Company/Tianjin Hemay Oncology/Hemay Bio-Tech

Product	Patent Type	Number of Patents Granted	Number of Pending Patents	Jurisdiction	Patent Owner/Patent Applicant
Hemay808	Invention	5	4	China, Hong Kong, Canada, Australia, Europe, Japan, Brazil, U.S., Korea	Tianjin Hemay Pharmaceutical
Hemay181	Invention	–	6	China, Europe, Mexico, Japan, Canada, Brazil	Tianjin Hemay Oncology
Hemay007	Invention	5	2	China, Australia, Europe, Japan, Canada, U.S.	Our Company, Tianjin Hemay Pharmaceutical

Mufemilast: We owned six issued PRC patents, eight pending PRC patent applications, eight issued U.S. patents, four pending U.S. patent application directed to Mufemilast as of the Latest Practicable Date. The expected expiration for the issued PRC patents will range from May 2030 to April 2039, excluding any additional term for patent term extensions. The expected expiration for the issued U.S. patents will range from May 2030 to April 2039, excluding any additional term for patent term extensions. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries.

Hemay022: We own one issued PRC patent, one pending PRC patent application and three issued U.S. patents directed to Hemay022 as of the Latest Practicable Date. The expected expiration for the issued PRC patent will be in June 2031, excluding any additional term for patent term extensions. The expected expiration for the issued U.S. patents will be in June 2031, excluding any additional term for patent term extensions. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries.

Hemay181: We owned one pending PRC patent application and one pending U.S. patent application directed to Hemay181 as of the Latest Practicable Date. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries.

Hemay007: We own two pending PRC patent applications, four issued U.S. patents, one pending U.S. patent application directed to Hemay007 as of the Latest Practicable Date. The expected expiration for the issued U.S. patents will range from October 2029 to November 2037, including any additional term for patent term extensions. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries.

As of the Latest Practicable Date, 10 issued patents relating to Hemay007 (four in the U.S., one in each of the China, Europe, Germany, Italy, Spain and Japan) have expired. We have applied and will apply patents for other compounds and indications to extend the duration of patent protection for Hemay007, and as of the Latest Practicable Date, we have owned three such patents in the United States. The PRC Patent Law provides that, among other things, 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 remaining patent term of such a new drug approved for commercialization shall not exceed fourteen (14) years after such approval. In U.S., After approval, owners of relevant drug or biological product patents may apply for up to a five-year patent extension to restore a portion of patent term lost during product development and FDA review of NDA or biologics license application if approval of the application is the first permitted commercial marketing or use of a biologic containing the active ingredient under the Drug Price Competition and Patent Term Restoration Act of 1984. We intend to apply for such extension after we receive NDA of Hemay007 in China and US.

Hemay808: We owned one U.S. issued patent, two PRC issued patent and one PRC patent application directed to Hemay808 as of the Latest Practicable Date. The expected expiration of the PRC issued patent will range from november 2026 to April 2039, excluding any additional term for patent term extensions. The expected expiration for the issued U.S. patent will be in April 2039, excluding any additional term for patent term extensions.

We conduct our business under the brand name of Hemay. As of the Latest Practicable Date, we had 26 registered trademarks in China and four registered trademarks in Hong Kong and 4 pending trademarks applications in China.

Our PRC Legal Advisor has conducted freedom-to-operate searches and analysis and did not identify any substantial risk of infringement by any current key technologies or features of our Core Products against any active patents in PRC. Our Directors confirm during the Track Record Period and up to the Latest Practicable Date, we had not received any IP rights infringement complaints and our product candidates had not been subjected to any claim, litigation or investigation for any IP issue.

We have not conducted freedom-to-operate searches and analysis outside China. As of the Latest Practicable Date, the Group's products are limited to Phase I clinical trials or preclinical stages outside China. The United States patent laws provide a safe harbor exemption under 35 U.S.C. § 271(e)(1), which excludes from patent infringement acts that are reasonably related to the development and submission of information required for regulatory approval of pharmaceuticals, including clinical trials conducted for such purposes. In Australia, we believe that our studies conducted there are likely to fall within the statutory exemptions under Australian patent law for certain experimental activities and, where applicable, certain acts undertaken solely for purposes connected with obtaining regulatory approval of pharmaceutical products. On that basis, we believe that the risk of a successful patent infringement claim arising from those Australian studies is low. However, the availability of those exemptions depends on the specific nature and purpose of the relevant activities, and no assurance can be given that third parties will not assert infringement claims. Therefore, we do not expect to encounter infringement risks for these Phase I clinical trials or preclinical stages outside China. Our commercial plans outside China have not been fully confirmed at this stage. We will conduct freedom-to-operate searches and analyses once the specific overseas countries and regions for commercialization are determined, and may adjust our clinical trial plans and commercialization strategies based on actual clinical progress. The conclusions drawn from a freedom-to-operate analysis conducted at this stage may not objectively reflect the potential infringement risks the Group may face.

For details of the patent portfolios for our drug candidates, see "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group." For risks relating to the expiry of our patent rights, see "Risk Factors — Risks Relating to Our Business — Risks Relating to our Intellectual Property Rights."

PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our R&D, production facilities, warehouses, offices and employee dormitories.

Owned Properties

As of the Latest Practicable Date, we had property ownership certificates for 24 properties for self-use, with an aggregate gross floor area of approximately 35,683.99 sq.m. In addition, we had four land use rights in Jiangxi and Anhui Province with land areas of 107,306.42 m^2 and one project under construction in Anhui as of the Latest Practicable Date.

A portion of one property located at Jiangxi Xinfeng High-Tech Industrial Park, a parcel delivery and guardhouse with a gross floor area of 38.7 sq.m, lacks property ownership certificate. Under PRC law, absence of property certificate results in uncertainty to ownership. The absence of such property ownership certificate was due to our misunderstanding and lack of sufficient knowledge of the relevant laws and regulations. Our Directors are of the view that the fact that we have not obtained the property ownership certificate of this parcel delivery and guardhouse will not have material negative impact on the Company's business and operations going forward, on the basis that: (i) such area is rather small and the function is not material to the production or research of us; (ii) according to the interview to the Office of the Land Use Regulation Section, Xinfeng County Natural Resources Bureau, it has confirmed that the acquisition, procedures, and registration of our land use rights comply with relevant laws and regulations, with no illegal occupation or unauthorized use of land. The authority further confirmed it will not require the demolition of the delivery and guardhouse, and the absence of a property ownership certificate for the delivery and guardhouse does not constitute a material violation and will not result in administrative penalties by the authority; (iii) Dr. Zhang has provided an undertaking to

unconditionally bear all losses and assume unlimited joint and several liability should we suffer any loss, penalty, or compensation obligation due to defects in the property, including the absence of a property certificate; and (iv) Dr. Zhang further undertakes not to assert any rights against us in this regard and to ensure our interests are not adversely affected.

In summary, the parcel delivery and guardhouse is not a principal production or operational facility, and its non-compliance has been confirmed by the competent authority as not constituting a material violation, nor will it result in penalties or demolition orders. With the controlling shareholder's undertaking in place, our PRC Legal Advisor is of the view that the risk of penalty arising from the absence of property ownership certificate is low and such non-compliance is not expected to have any material adverse effect on the business operations of our Company or our PRC subsidiaries. The Sole Sponsor is of the view that based on the controlling shareholder's undertaking and the confirmation of the PRC Legal Advisor, there will not be any material negative impact on the Group's operations.

Save for the above, we have obtained property ownership certificates of our other properties.

The property valuation report produced by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, set out in Appendix III to this document sets forth details of two parcels of land, 17 buildings and various structures owned by us which are located at Shuibian Town Industrial Park, Xiajiang County, Ji'an City, Jiangxi Province and these property interests were valued at approximately RMB93.6 million as of December 31, 2025. Except for the property interests described in the property valuation valuation report, our Group has no other owned property interest that forms part of our non-property activities that has a carrying amount of 15% or more of total assets pursuant to Rule 5.01B(2)(b) of the Listing Rules.

Leased Properties

As of the Latest Practicable Date, we leased and occupied four properties in Tianjin, which were used as R&D sites and/or offices, under a total of four agreements. The aggregate gross floor area of these leased properties is approximately 3,405.96 square meters.

EMPLOYEES

The following table sets forth a breakdown of our employees by function as of December 31, 2025:

Function	Number	Number Percentage
Research, Development and Clinical Trial	129	57.6%
Manufacturing	19	8.5%
Selling, General and Administrative	76	33.9%
Total	**224**	**100.0%**

As of December 31, 2025, 69.4% and 77.8% of the employees of our research and development team and clinical team, respectively, held bachelor's degrees or above. Leaders of these team generally have extensive professional experience from global big pharma or leading Chinese pharma companies.

Employment Agreements with Key Management and Research Staff

We enter into standard confidentiality and employment agreements with our key management and research staff. The contracts with our key personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during their employment and for at least two years after the termination of their employment. The contracts also typically include undertakings regarding the assignment of inventions and discoveries made during the course of employment. For further details regarding the terms of confidentiality and employment agreements with our key management, see "Directors, Supervisors and Senior Management". We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any significant difficulty in recruiting staff for our operations.

Training and Development

We provide formal and comprehensive company-level and department-level training to our new employees followed by on-the-job training. We also provide training and development programs to our employees from time to time to ensure their awareness and compliance with our various policies and procedures. Given our emphasis on operating a fully-integrated platform for our drug development processes, some of the training is conducted jointly by different groups and departments serving different functions but working with or supporting each other in our day-to-day operations.

Employee Benefits

Our employees' remuneration comprises salaries, employees provident fund and social security contributions. We have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees pursuant to applicable laws and regulations. During the Track Record Period, we did not make timely and adequate contribution of social insurance premium involving an immaterial amount, which will not have any material adverse effects on our operations.

During the Track Record Period, our Company and its subsidiary, Xiajiang Hemay, did not make full contributions to social insurance and housing provident funds for certain employees based on their actual wages. During 2024, some employees of Xiajiang Hemay, for personal reasons, voluntarily waived their participation in social insurance and housing provident funds and have executed written waivers to this effect, where there was no such waiver in 2025. We estimate the shortfalls in the aggregate amounts of contributions made by the Group to its employees' social insurance were approximately RMB1.0 million and RMB1.2 million, respectively, and the shortfalls in the aggregate amounts of unpaid housing provident funds were approximately RMB0.2 million and RMB0.3 million, respectively. As of the Latest Practicable Date, we have made full contribution to social insurance and housing provident funds for all our employees.

Our PRC Legal Advisor is of the view that, under the current regulatory framework and enforcement practice, and absent any significant changes in relevant laws, regulations, or their enforcement, or any complaints or reports made to the competent authorities regarding our Company's or Xiajiang Hemay's insufficiency in contributions, the risk of our Company or Xiajiang Hemay being subject to material administrative penalties in respect of such historical non-compliance is remote, on the basis that:

(i) The competent authorities, including the local Human Resources and Social Security Bureau, Medical Insurance Fund Management Center, and Housing Provident Fund Management Center, have issued written confirmations stating that, since establishment and up to the dates of such confirmations, our Company and Xiajiang Hemay have complied with registration and contribution requirements for social insurance and housing provident funds, have not been subject to any administrative penalties or enforcement actions, and there have been no complaints or reports received regarding non-compliance in these respects.

(ii) No orders for rectification, late payment surcharges, or other administrative penalties have been issued against our Company and Xiajiang Hemay during the Track Record Period, and the competent authorities have confirmed that they do not intend to take any such actions.

(iii) To further mitigate potential risks, our Controlling Shareholder, Dr. Zhang, has provided an undertaking to fully indemnify our Company and its subsidiaries for any losses, penalties, late payment surcharges, or other liabilities arising from any historical insufficiency in contributions.

INSURANCE

We maintain certain employee accident insurance, health insurance and insurance for automotive. Under PRC laws and regulations, we are not required to, and we do not, maintain any insurance in relation to our business operations, such as business interruption insurance, or product liability insurance against claims or liabilities that may arise from products that we have sold. For further details of risks relating to our current insurance coverage, see "Risk Factors — Risks Relating to Our General Operations — Our insurance coverage may not completely cover the risks related to our business and operations, which could expose us to significant costs and business interruptions." We did not experience any material industrial accidents during the Track Record Period and up to the Latest Practicable Date.

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. As confirmed by our PRC Legal Advisor, as of the Latest Practicable Date, we have obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in China. The following table sets forth key licenses, permits and certificates relating to our business:

High-Tech Enterprise Certificate

No	Company Name	Certificate Name	Certificate Number	Issuance Date	Issuing Authority
1. . .	Our Company	High-Tech Enterprise Certificate	GR202436001358	November 19, 2024 – November 18, 2027	Jiangxi Provincial Department of Science and Technology, Jiangxi Provincial Department of Finance, Jiangxi Provincial Taxation Bureau of the State Taxation Administration
2. . .	Tianjin Hemay Pharmaceutical	High-Tech Enterprise Certificate	GR202312001246	December 8, 2023 – December 7, 2026	Tianjin Municipal Bureau of Science and Technology, Tianjin Municipal Bureau of Finance, Tianjin Municipal Taxation Bureau of the State Taxation Administration
3. . .	Xiajiang Hemay	High-Tech Enterprise Certificate	GR202536002228	November 4, 2025 – November 3, 2028	Jiangxi Provincial Department of Science and Technology, Jiangxi Provincial Department of Finance, Jiangxi Provincial Taxation Bureau of the State Taxation Administration

Drug Registration Certificate

No.	Manufacturing Unit/ Marketing Authorization Holder	Drug Name	Specification	Dosage Form	Product Category	Drug Approval Number	Approval Date
1. .	Issuer	Mufemilast Tablets	15 mg	Tablet	Chemical Drug	H20250059	September 30, 2025

Pharmaceutical Production License

No	Company Name	Certificate Name	Certificate Number	Production Address and Scope	Validity Period	Issuing Authority
1. . .	Our Company	Pharmaceutical Production License	Gan20210001	West Section of Luyuan Avenue, High-Tech Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province: Tablets, Ointments	December 24, 2025-December 23, 2030	Jiangxi Provincial Drug Administration
2. . .	Xiajiang Hemay	Pharmaceutical Production License	Gan20180011	Chengnan Industrial Park, Xiajiang County, Ji'an City, Jiangxi Province: Active Pharmaceutical Ingredient (Mometasone)	October 13, 2023-October 12, 2028[(1)]	Jiangxi Provincial Drug Administration

(1) We have obtained the reissued pharmaceutical production license on February 24, 2025 and April 3, 2026, respectively.

Laboratory Animal Use License

No.	Company Name	Certificate Name	Certificate Number	Applicable Scope	Validity Period	Issuing Authority
1 . .	Tianjin Hemay Pharmaceutical	Laboratory Animal Use License	SYXK (Jinbin) 2021-0006	Barrier Environment: Rats, Mice, Guinea Pigs	April 2, 2026 - April 1, 2031	Tianjin Municipal Bureau of Science and Technology

Record Certificate for Units Handling Explosive Hazardous Chemicals

We use small quantities of certain chemical reagents, such as potassium permanganate, primarily for routine quality inspection and testing purposes. Such chemical reagents are classified as explosive hazardous chemicals under applicable PRC laws and regulations and are included in the Catalogue of Precursor Chemicals for Explosives. As a result, we are required to comply with all relevant regulatory requirements, regardless of the quantity used. As of the Latest Practicable Date, our Company and Xiajiang Hemay, hold valid Record Certificates for Units Handling Explosive Hazardous Chemicals as detailed below.

No.	Company Name	Certificate Name	Certificate/ Record Number	Recorded Content	Unit Type	Issuing/ Record Authority
1. . .	Our Company	Record Certificate for Units Handling Explosive Hazardous Chemicals	91360700MA38FFWC47	Perchloric Acid (> 72%), Potassium Permanganate, Hydrogen Peroxide Solution (>8%), Nitric Acid, Potassium Dichromate, Silver Nitrate, Lead Nitrate	User Unit	Xinfeng County Branch, Ganzhou Public Security Bureau
2. . .	Xiajiang Hemay	Record Certificate for Units Handling Explosive Hazardous Chemicals	91360800591801829J	Potassium Nitrate, Magnesium Nitrate, Hydrogen Peroxide Solution (concentration >8%), Sulfur, Perchloric Acid [concentration 50%-72%], Nitric Acid, Silver Nitrate, Potassium Dichromate, Potassium Permanganate	User Unit	Xiajiang County Branch, Ji'an Public Security Bureau

We intend to apply for renewal of Tianjin Hemay Pharmaceutical's High-Tech Enterprise Certificate (valid until December 7, 2026) in a timely manner prior to their expiration. We do not foresee any material obstacles to its renewal.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We are subject to legal proceedings, investigations and claims arising from the ordinary course of our business from time to time. We may also initiate legal proceedings in order to protect our intellectual property and other rights.

Neither our Company nor any of our Directors were party to any material litigation, arbitration, or administrative proceeding, and we are not aware of any material litigation, arbitration, or administrative proceeding pending or threatened against us or any of our Directors during the Track Record Period and up to the Latest Practicable Date.

Legal Compliance

As of the Latest Practicable Date, we have not had any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our Company as a whole.

Compliance

Measures for Cybersecurity Review

On December 28, 2021, the CAC, jointly with other 12 Governmental Authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "Cyber Review Measures") which took effect on February 15, 2022. Pursuant to Article 2 of the Cyber Review Measures, critical information infrastructure operators purchasing internet products and services and online platform operators engaging in data processing activities, which affect or may affect national security, shall be subject to the cybersecurity review. Pursuant to the Cyber Review Measures, an online platform operator which possesses personal information of over one million users and intends to "list in a foreign country (國外上市)" shall be subject to cybersecurity review.

As of the Latest Practicable Date, (i) to the best knowledge of our Directors, we had not been determined or identified as a critical information infrastructure operator by any Governmental Authorities; (ii) to the best knowledge of our Directors, we had not engaged in any data processing activities that affect or may affect national security according to the applicable PRC laws; (iii) we had not been involved in any investigations on cybersecurity review made by CAC, and had not received any inquiry, notice, warning or sanctions in this regard, thus we have no obligation to proactively apply for cybersecurity review under the Cyber Review Measures.

ENVIRONMENTAL, SOCIAL RESPONSIBILITY AND SAFETY

Our Environmental, Social and Governance ("ESG") Policies and ESG Working Group

We have established an ESG Working Group, which is oversighted by our Board. Our Board has the collective and overall responsibility for overseeing the ESG vision, policy and target of the Group, and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board may assess and review the ESG-related risks and opportunities with the ESG Working Group and approves ESG-related business strategies to enhance our ESG management schemes. Additionally, our Board will make resolutions on ESG-related issues raised by the ESG Working Group, formulate work plans and assign relevant tasks for follow-ups by the relevant departments and/or working units.

Members of the ESG Working Group consisting different members coming from various departments of the Group, including but not limited to Finance Department and Human Resource Department, to ensure a more effective implementation of ESG policies. Our ESG Working Group also has comprehensive management capabilities and a strong sense of responsibility in fulfilling social responsibilities, operating in accordance with laws and regulations and managing community relations. Our ESG Working Group holds regular meetings to discuss ESG, internal control and risk management-related matters and receives reports from relevant departments, and submits reports to our Board for evaluation on a regular basis. We may also engaged with independent third-party advisors as our ESG advisors (the "**ESG Advisors**") to evaluate potential ESG-related risks faced by the Group, provide comment on our ESG Policy and strategies, and set targets so that the ESG Policy will be up-to-date.

The key responsibility, authority and discretion of the ESG Working Group are as follows:

- Deal with ESG, internal control and risk management-related matters;
- Oversee and assess any ESG-related risks that we may face in our business operations;
- Foster a corporate culture of safety and strictly implementing the occupational health and safety system to ensure that relevant health and safety factors are taken into account;
- Identify and assess climate-related risks and opportunities that have potential impacts on us; and
- Developing strategies of responding to climate change, setting targets of reducing greenhouse gas ("**GHG**") emissions and guiding implementation efforts.

In identifying, assessing, and prioritising material ESG topics, we consider our Group's business development strategy, industry characteristics, national policies, and stakeholder expectations. Through stakeholder engagement and industry analysis, we have identified key ESG issues that are most relevant to our operations. These include GHG emissions, waste management, climate change adaptation, environmental compliance, human capital development, product safety and quality and business ethics. We are committed to addressing these areas as part of our ongoing business development.

A comprehensive set of policies and procedures focused on the environment, employee welfare, and corporate governance has been established, in compliance with the applicable laws and the Listing Rules.

Identification and Assessment of Potential ESG-related Risks

We define physical risks as risks related to the physical impacts of climate change. Transition risk refers to the medium- and long-term risks associated with the shift towards a lower-carbon economy which can be prompted by, for example, changes in climate-related policies and regulations, technological changes, social trends or a change in market sentiment. Our operational costs may rise due to climate-related policy and sustainable practice mandates. We have identified the following climate-related physical risks and transition risks and their potential impacts on our business and financial performance in the short (1 to 3 years), medium (3 to 5 years) and long (5 to 10 years) terms.

Category		Time Scale	Climate-related Risk	Potential Impact	Potential Financial Impact
Physical risk	Acute physical risk	Short and medium terms	Frequent occurrence of typhoons and floods, and other extreme weather	• Adverse impact on our employees' commuting • Interruption of normal business activities	Low to Medium
	Chronic physical risk	Long term	Rising average temperature	• Increased energy consumption in operations resulting in higher energy costs	Low to Medium
Transition risk . . .	Policy and legal risk	Medium to long terms	Introduction of carbon emission reduction policies, such as the "Dual Carbon" Policy by the PRC government	• Increased operational costs related to energy consumption during operations	Low to Medium
		Short term	Litigation risk	• Litigation risk brought from the interruption of supply chain due to extreme weather events, resulting in our failure to perform future contracts on time	
	Market and technology risk	Medium term	Costs for transition to low-carbon emission technology	• Increased cost on energy-saving equipment	Low to Medium
		Medium and long terms	Changes in customer behavior and preferences	• Loss of future orders and decreased future revenue resulting from insufficient disclosure of carbon neutrality goals and data	
	Reputational risk	Long term	Negative publicity	• Negative publicity on our reputation resulting from our inability to respond to shareholders' expectation caused by insufficient disclosure on the reduction targets and information on emission	Low to Medium

Metrics and Targets

We have set various goals to reduce our environmental impacts, and we continue to take significant steps toward these targets:

- **GHG emissions**. We have established procedures to actively support the national "carbon peaking and carbon neutrality" goals. As part of our commitment to sustainability, we aim to reduce our per-employee GHG emissions by approximately 5% by the end of 2030. This will be achieved through the adoption of energy-efficient and environmentally friendly technologies, as well as by increasing the share of low-carbon energy used across our operations.

- **Energy consumption**. During the Track Record Period, we have actively monitored our electricity consumption and implemented various measures to enhance energy efficiency. Looking ahead, we aim to reduce per-employee energy consumption by approximately 5% by the end of 2030, by promoting energy-saving practices throughout our daily operations. This includes encouraging the procurement and use of energy-efficient office and laboratory equipment.

- **Water consumption**. During the Track Record Period, we closely monitored our water consumption and implemented initiatives to promote water conservation. As our water usage is primarily for daily operations, we aim to reduce per-employee water consumption by approximately 5% by the end of 2030. To achieve this, we plan to raise awareness among employees by displaying water-saving reminders throughout our offices and promoting mindful usage.

- **Hazardous waste discharge**. Throughout the Track Record Period, we have conducted periodic monitoring of our hazardous waste discharge. For any hazardous waste generated from our business operations, we engage certified third-party service providers to ensure proper and compliant disposal. Looking ahead, we aim to reduce per-employee hazardous waste discharge by approximately 5% by the end of 2030. This will be achieved through continuous monitoring and evaluation of waste sources, as well as by replacing or optimizing processes, projects, materials, and equipment that contribute to unnecessary hazardous waste generation.

- **Non-hazardous waste disposal**. We have procedures in place for waste management to ensure compliant non-hazardous waste disposal and reduce environmental impact. The non-hazardous wastes we produce include but not limited to, plastic packaging waste and other packaging waste, which will be discarded into bins separately, to indicate the applicable waste disposal procedures. We intend to reduce the level of our per employee non-hazardous waste disposal by approximately 5% by the end of 2030 through regularly monitoring and assessing sources of non-hazardous waste generation.

Environmental compliance

During the Track Record Period and up to the Latest Practicable Date, we did not receive any notice or warning with respect to environment protection, nor were we subject to any fine or penalty that had a material adverse effect on our operations.

Environmental management

Emissions

As part of our sustainability strategy, we established relevant policies in place, including but not limited to Environmental Management System (《環保管理制度》), and we continuously implement energy-efficient practices and engage with our suppliers. Additionally, we strive to promote the use of energy-saving devices during our operations.

In Scope 1, our direct emissions result mainly from the vehicular use and the use of natural gas in daily operations, staff's cafeteria and dormitory. Scope 2 emissions, which account for energy indirect emissions from the generation of purchased electricity. Scope 3 other indirect emissions primarily arise from business air travel from employees and wastewater treatment.

Key Performance Indicator	Unit	For the Year ended 31 December 2025	2024
Direct (Scope 1) GHG emissions	Tonnes of carbon dioxide equivalent ("**tCO_2e**")	63.37	59.58
Energy Indirect (Scope 2) GHG emissions	tCO_2e	1,029.23	1,028.22
Other Indirect (Scope 3) GHG emissions	tCO_2e	27.41	19.85
Total GHG emissions (Scopes 1, 2 and 3)	tCO_2e	1,120.01	1,107.65
Intensity of GHG emissions (Scope 1, 2 and 3)	tCO_2e/Employee	5.00	5.03

Note: GHG emission data are presented in terms of carbon dioxide equivalent and are based on, including but not limited to (i) "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development; (ii) "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange; (iii) "2023 National Electricity Carbon Footprint Factor" issued by Ministry of Environmental Protection of the People's Republic of China; and (iv) the "Global Warming Potential Values" from the IPCC Sixth Assessment Report.

Waste management

We divide the waste we produced into hazardous waste (such as organic chemical waste and waste pharmaceuticals and intermediates) and non-hazardous waste (such as paper waste and non-contaminated laboratory waste). We have developed policies in place in waste management, including but not limited to General Waste Management System (《一般廢棄物管理制度》) and Hazardous Waste Management System (《危險廢棄物管理制度》). The hazardous and flammable waste are disposed by qualified contracted third parties. We conduct regular inspections of contracted parties' waste management and disposal practices to ensure regulatory compliance. If any violations are identified, we may reserve the right to cease collaboration with the contracted third parties. If we fail to comply with the laws, we could incur fines, penalties or damages or to be ordered to make substantial changes to our business operations. We will also keep track on the amount of waste generated, to minimize the environmental impacts resulted from our operation.

Key Performance Indicator	Unit	For the Year ended 31 December 2025	2024
Non-hazardous waste	Tonnes	0.45	0.15
Intensity of non-hazardous waste	kg/Employee	2.02	0.68
Hazardous waste	Tonnes	7.77	11.92
Intensity of hazardous waste	Tonnes/Employee	0.03	0.05

Resource management

We endeavor to promote green operations, we implemented relevant policies in energy consumption and water consumption, including but not limited to Electricity Usage Management System (《用電管理制度》) and Environmental Management System (《環保管理制度》). We have actively monitored our electricity consumption and implemented various measures to enhance energy efficiency. Besides, we prioritise the use of energy-saving devices in our operations. Meanwhile, we strive to foster conservation culture in our Group and intend to reduce water consumption. To promote water conservation and minimize unnecessary usage, we will implement regular inspections of water pipes to identify and prevent potential leaks. We also plan to raise awareness among employees by displaying water-saving reminders throughout our offices and promoting mindful usage.

Key Performance Indicator		Unit	For the Year ended 31 December 2025	2024
Energy Consumption				
Non-renewable energy	Gasoline	MWh	23.35	21.87
	Natural Gas	MWh	281.67	264.92
Purchased energy	Electricity	MWh	1,658.72	1,657.09
Total energy consumption		MWh	1,963.74	1,943.88
Intensity of energy consumption		MWh/Employee	8.77	8.84
Water Consumption				
Total water consumption		m^3	19,449.00	21,191.00
Intensity of water consumption		m^3/Employee	86.83	96.32

Social Matters

During the Track Record Period, we recruited our staff through various means, such as external hiring. We are devoted to offering fair and equal opportunities in all our employment practices and have implemented relevant policies and procedures. In talent recruitment, we normally use structure interviews, supplemented by assessment tools such as personality tests and motivational factor assessments. As part of our talent retention strategy, we have developed a comprehensive compensation system, providing competitive salaries, extensive insurance packages and merit-based incentives typically based on individual and overall business performance.

Labor Law Compliance

In order to ensure compliance and improve employment management, we have formulated a series of employment management related policies, including but not limited to the Employee Handbook, and the Occupational Disease Hazard Notification System (《職業病危害告知制度》). During the Track Record Period and up to the Latest Practicable Date, except for our Company's or Xiajiang Hemay's insufficiency in contributions in social insurance and housing provident funds, we did not have any legal violations or lawsuits in relation to labor rights.

Employee Welfare and Work Safety

Our Health, Safety, and Environment Department carries out regular workplace inspections to maintain a safe and secure environment. In the event of natural disasters, public health crises, safety incidents, social security threats, or other situations that could impact our Group and employees, we will promptly activate our emergency response plan to safeguard everyone's well-being. To reinforce safety awareness, we conduct periodic safety education and training sessions, as well as organize drills to improve employees' understanding of workplace safety protocols and emergency response procedures.

To provide a safe working environment, the Group has established work safety guidelines with regards to relevant laws and regulations that our employees must strictly adhere to, and we provide our production staff with sufficient safety equipment. Employees in manufacturing and quality control must hold relevant qualifications and are required to wear safety gear whenever necessary. Additionally, regular safety maintenance is also conducted on a regular basis. We routinely assess our equipment and supplies to ensure their safety for our operations.

Equality and Diversity

We are committed to fostering a diverse and inclusive workplace and offering equal employment opportunities. We believe in the unique value that each individual brings to the Group and the industry, irrespective of factors such as their religion, gender, age, ethnic, marital status. As of December 31, 2025, we had a total of 224 employees, consisting of 126 female and 98 male.

Supply chain ESG management

We have established ESG-related requirements for suppliers to mitigate supply chain-related risks. Priority may be given to suppliers with environmentally friendly products and services. Additionally, in line with our commitment to responsible procurement, we incorporate business

integrity as a key criterion in our ongoing supplier evaluations. Should any violations of ethical or compliance standards be identified, we reserve the right to terminate the business relationship. Aside from that, as part of our sustainability initiatives, we seek to minimize GHG emissions related to our supply chain by prioritising local sourcing, while maintaining strict quality standards for all materials and equipment.

Pre-Clinical and Clinical Trial Safety Management

Our clinical research management system ensures that our trials adhere to the study protocol and applicable Good Clinical Practice requirements, prioritizing safety. Before trails begin, we conduct pre-clinical studies to validate safety. We select qualified investigators and sites, establish regulatory oversight, and secure ethics approvals from relevant authorities. Essential documents, including but not limited to informed consent forms and safety protocols, are prepared to protect participants. Throughout clinical trials, we monitor compliance, promptly address safety concerns, and take appropriate corrective actions, including trial suspension when warranted, with timely reporting to regulatory authorities.

INTERNAL CONTROLS AND RISK MANAGEMENT

We have established and maintained risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations.

Risk Management

We recognize that effective risk management is critical to the success of our business operations. The key operational risks we face include, among others, changes in the general market conditions and regulatory environment of the PRC and global biopharmaceutical markets, our ability to develop, manufacture, and commercialize our drug candidates, as well as our ability to compete with other biopharmaceutical companies. See "Risk Factors" for detailed discussion of the various risks and uncertainties we confront.

We have implemented a comprehensive set of risk management policies that establish a framework to identify, assess, evaluate, and continuously monitor the key risks associated with our strategic objectives. Risks identified by our management are analyzed based on likelihood and impact, and are then properly followed up, mitigated, and rectified by us, meanwhile reporting to our Board of Directors.

Our Directors will oversee the implementation of these risk management policies. To monitor the ongoing implementation of 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:

Our Directors will oversee and manage the overall risks associated with our business operations by

(i) reviewing and approving our risk management policy to ensure alignment with our corporate objectives;

(ii) reviewing and approving the annual working plan and annual report on corporate risk management;

(iii) monitoring the most significant risks related to our business operations and evaluating our management's handling of these risks;

(iv) assessing our corporate risk in relation to our risk tolerance; and

(v) ascertaining the appropriate application of our risk management framework across us.

Our finance, legal, human resources and other relevant departments will be responsible for (i) developing our risk management policy and reviewing major risk management issues within our Company; (ii) creating the annual risk management plan and report; (iii) offering guidance on our risk management approach to relevant departments and supervising the implementation of our risk management policy; (iv) reviewing reports on key risks from relevant departments and providing

feedback; and (v) conducting education and training related to risk management. Our finance, legal, human resources and other relevant departments will be responsible for implementing our risk management policy and conducting daily risk management activities.

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In preparation for the [**REDACTED**], we have engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in March 2025 (the "**Internal Control Review"**). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sole Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including procurement accounts payable and payment, inventory management including logistics, production and costing, human resources and payroll management, assets management, cash and treasury management, financing management, investment management, insurance management, financial reporting and disclosure controls, tax management, general controls of information technology, research and development management, contract management, intellectual property management and construction management. The Internal Control Consultant conducted follow-up reviews in mid-April and May 2025 (the "**Follow-up Review**") to review the status of the management actions taken by us to address the findings of the Internal Control Review. The Internal Control Consultant did not have any further recommendation in the Follow-up Review. The Internal Control Review and the Follow-up Review were conducted based on information provided by the Group, and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. We have implemented a range of measures and procedures covering various aspects of our business operations, including related party transactions, risk management, intellectual property protection, environmental protection, and occupational health and safety. For more information, see "— Intellectual Property Protection" and "— ESG Matters." We have also taken various measures to improve our internal controls, including but not limited to: (i) establishing, enhancing, and publishing written policies and procedures for both corporate governance and key business processes; (ii) conducting employee training to reiterate the control requirements; (iii) implementing enhanced controls and adopting technical means where applicable; and (iv) maintaining more robust documentation as evidence of controls performed. We completed the implementations of such measures by April 2025. Our Directors are of the view that we have implemented effective and sufficient internal control. As of the Latest Practicable Date, there were no material outstanding issues relating to our Group's internal control measures.

We have established an audit committee which (i) makes recommendations to our Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Group.

With respect to data and privacy protection, the original medical documents relating to test samples in clinical trials are kept by the clinical trial institutions. To improve the privacy protection and data security from our end, we have established a comprehensive and multi-layered clinical trial participant data protection system in strict compliance with the PRC Personal Information Protection Law and relevant clinical trial regulations, such as Good Clinical Practice. Our measures include:

- We collect necessary participants' data for clinical trial with their full informed consent and do not collect any irrelevant sensitive personal information;
- We control data access strictly to authorized research personnel only;
- We anonymize participants' data after collection and use it solely for clinical trial protocol purpose;
- We retain participants' data in accordance with legal and regulatory requirements and destroy it upon expiration.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any breach of confidential information or any other information-related incidents which could cause a material adverse effect on our business, financial condition or results of operations. As advised

by our PRC Legal Advisor, we have complied in all material respects with the applicable PRC laws and regulations in relation to cross border data transfer (including patient-related information) during the Track Record Period and up to the Latest Practicable Date.

Intellectual Property Protection

We have established a comprehensive intellectual property ("IP") management system designed to safeguard our technologies, trademarks, patents, copyrights (including software copyrights), domain names, and trade secrets. Our IP management policy applies to our company and all subsidiaries, and is overseen by our dedicated Intellectual Property Department.

Our IP Department is responsible for:

- Developing, maintaining, and implementing internal IP management policies and procedures;
- Managing the application, registration, maintenance, transfer, and licensing of our IP assets;
- Establishing and maintaining IP archives, including the secure storage of certificates and application materials;
- Monitoring relevant laws, regulations, and policies, and providing regular training to employees on IP matters;
- Preventing and addressing IP risks, handling internal and external IP disputes, and liaising with government authorities and IP agencies;
- Conducting regular reviews and analyses of our IP portfolio and monitoring for potential infringement by third parties.

We require all business units to consider IP protection in the course of product and project development. New product and technology development projects are evaluated for IP registration needs, and applications are submitted in accordance with statutory timelines after review and confirmation by the IP Department. Employees are required to ensure that any technical secrets suitable for patent application are not disclosed prior to filing, and all external publications or presentations must be approved through internal review processes to prevent inadvertent disclosure of proprietary information.

Trademark Management

We proactively manage our trademarks throughout their lifecycle, including application, registration, renewal, and transfer. The IP Department conducts periodic audits of our trademark portfolio and recommends the transfer or disposal of unused marks. During mergers or acquisitions, the IP Department ensures that trademarks of acquired entities are properly managed and, where appropriate, transferred to our company. All use of registered trademarks by internal and affiliated entities must preserve the integrity of the marks, and employees are required to report any suspected infringement.

Patent Management

We integrate patent protection into our R&D and product development processes. The IP Department conducts prior art searches, coordinates with technical teams to evaluate patentability, and manages the drafting and filing of patent applications. All application materials and supporting documents are securely archived. The IP Department also monitors ongoing projects for potential infringement risks and takes prompt action to address suspected violations, including investigation, evidence collection, and, where necessary, legal recourse. Employees are obligated to protect the company's patents and promptly report any infringement or leakage of confidential information.

Copyrights, Domain Names, and Trade Secrets

Our IP management also covers copyrights (including software), domain names, and trade secrets. The IP Department ensures the proper registration, renewal, and protection of these assets, and establishes protocols for the secure handling of confidential information. Employees are trained to recognize and protect trade secrets and are required to report any suspected breaches.

Through these robust policies and procedures, we are committed to protecting our intellectual property rights, mitigating infringement risks, and supporting the continued innovation and competitiveness of our company.

During the Track Record Period and up to the Latest Practicable Date, our Directors, to their best knowledge, were not aware of any past incidents involving our employees engaging in corruption or other improper conduct that had a material impact on our Company. They believe that we were in compliance in all material respects with the laws and regulations disclosed under the "Regulatory Overview" section in this document. We will also continue to implement and enforce proper internal control procedures to ensure ongoing compliance with all applicable laws and regulations, including the prevention of our employees or affiliates engaging in any corruption, bribery, health fraud, abuse, improper conduct, and other incidents of non-compliance.

BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising three executive Directors, a non-executive Director and three independent non-executive Directors.

Our Board serves a term of three years and powers and duties of our Board include convening general meetings and reporting our Board's work at general meetings, determining our business and development plans, as well as exercising other powers, functions and duties as conferred by our Articles.

The table below sets out certain information in relation to our Directors:

Name	Age	Time of joining our Group	Time of appointment as Director	Existing position(s) in our Company	Principal responsibilities	Relationship with other Directors, Supervisors and senior management
Zhang Hesheng (張和勝) . . .	62	July 2002	April 2019	Chairman of our Board, executive Director and general manager	Overseeing the day-to-day operations and overall business strategy and planning of our Group	Uncle-in-law of Mr. Chen
Chen Yingwei (陳英偉) . . .	44	May 2004	December 2021	Executive Director, deputy general manager, secretary to our Board and head of sales department	Managing operation, investment, legal, sales and marketing matters of our Group	Nephew-in-law of Dr. Zhang
Huo Aihong (霍愛紅) . . .	47	June 2004	May 2025	Executive Director and deputy general manager	Overseeing product registration affairs and late-stage development matters of our Group	None
Zhang Guangneng (章廣能) . . .	41	December 2021	December 2021	Non-executive Director	Providing management and strategic advice to our Group	None
Shao Leilei (邵雷雷) . . .	43	March 2023	March 2023	Independent non-executive Director	Providing independent advice to our Board	None
Yang Cheng . .	61	March 2023	March 2023	Independent non-executive Director	Providing independent advice to our Board	None
Jia Meng (賈夢)	41	June 2025	June 2025	Independent non-executive Director	Providing independent advice to our Board	None

Executive Directors

Dr. Zhang Hesheng (張和勝), aged 62, is our founder, chairman of our Board, executive Director and general manager. Dr. Zhang founded Hemay Bio-Tech, the first research and development entity of our Group, in 2002, and has since then been its executive director and manager. He is primarily responsible for overseeing the day-to-day operations and overall business strategy and planning of our Group. He has over 20 years of working experience in biomedical research and management.

Since April 2019, he has served as our executive Director, and later the chairman of our Board and our general manager. Since July 2016, he has successively served as the chairman of the board of directors, then the executive director and manager of Tianjin Hemay Oncology. Since August 2014, he has served as the executive director and manager of Tianjin Hemay Pharmaceutical. Since March 2012, he has assumed the roles of executive director and chairman of the board of directors of Xiajiang Hemay. Since October 2024, Dr. Zhang has served as the director of Gansu Hemay. Since May 2023, he has served as the executive director of Anhui Hemay.

Before founding our Group, Dr. Zhang served at Cadus Pharmaceutical Corporation in the U.S. from July 1997 to January 1999 where he was responsible for conducting innovation research for A2b receptor selective antagonist for the treatment of asthma.

Dr. Zhang obtained his bachelor's degree in chemistry from Jiangxi Normal University in July 1984, his master's degree in organic chemistry from Nankai University in the PRC in June 1987, and his doctor of philosophy from Rutgers, The State University of New Jersey in the U.S. in May 1999.

Dr. Zhang is a recipient of the State Council Special Allowance for Experts. Dr. Zhang has achieved outstanding accomplishments in scientific innovation and entrepreneurial activities in China, earning numerous accolades, including "State Council Special Allowance Expert," "Key Overseas Chinese Entrepreneurial Team" (重點華僑華人創業團隊) awarded by the Overseas Chinese Affairs Office of the State Council (國務院僑辦), "China Overseas Chinese Contribution Award" (中國僑界貢獻獎), and "Outstanding Jiangxi Entrepreneur Returning Home" (回鄉創業優秀贛商). In 2017, Dr. Zhang was selected as Overseas High-level Talent Recruitment Program (海外高層次人才引進計劃) by the Organization Department of the Central Committee of the Communist Party of China. As the principal investigator, Dr. Zhang has led several national and provincial government-funded projects, including the "Major New Drug Development" initiative under the 11th Five-Year Plan.

Dr. Zhang previously held certain positions in the following entities established in the PRC which were deregistered:

Name	Principal business activity	Position	Date of deregistration	Status
Jundenuo (Tianjin) Technology Development Partnership (Limited Partnership) (君德諾(天津)科技發展合夥企業(有限合夥)) ("**Jundenuo**") .	Technical consultation	Limited partner	November 18, 2021	Voluntary deregistration
Guangzhou Hemay	R&D of drugs	Executive director and general manager	July 24, 2023	Deregistered due to no business operations

Dr. Zhang confirmed that to the best of his knowledge, (i) there is no wrongful act on his part leading to the deregistration; (ii) he is not aware of any outstanding or potential claim that has been or will be made against him as a result of the respective deregistration; and (iii) no misconduct or misfeasance had been involved in the respective deregistration.

Jundenuo was originally established as the employee shareholding platform of our Company. After Ganzhou Heyi was established as the ultimate employee shareholding platform of our Company, the partners of Jundenuo agreed to voluntarily deregister it in 2021. Dr. Zhang confirmed that Jundenuo's deregistration did not have any impact on our business operation.

Mr. Chen Yingwei (陳英偉), aged 44, is our executive Director, secretary to our Board, our deputy general manager and head of sales department. He is primarily responsible for the operation, investment, legal, sales and marketing matters of our Group. He joined our Group in May 2004, and has over 20 years of working experience in biomedical research and management.

From April 2019 to March 2023, he was our manager, and since March 2023, he has been our Director, deputy general manager and the secretary to our Board. From July 2016 to January 2022, he served as a director of Tianjin Hemay Oncology. Since August 2014, he has served as the deputy general manager of Tianjin Hemay Pharmaceutical. Since May 2012, he has served as the deputy general manager of Hemay Bio-Tech. Since March 2012, he has successively served as a supervisor, a director and the general manager of Xiajiang Hemay. Since October 2024, Mr. Chen has served as manager of Gansu Hemay. Since May 2023, he has served as the general manager of Anhui Hemay.

From May 2008 to April 2012, he served as the assistant to the general manager of Hemay Bio-Tech. From May 2006 to April 2008, he served as the project leader of the pharmaceutical and chemical department of Hemay Bio-Tech. From May 2004 to April 2006, he served as an assistant researcher of the pharmaceutical and chemical department of Hemay Bio-Tech.

Mr. Chen obtained his bachelor's degree in materials chemistry from Nankai University in the PRC in June 2003. He holds a senior engineer qualification in pharmaceutical chemistry issued by the Tianjin Municipal Engineering and Technology Series Pharmaceutical Professional Vice-Senior Ranking Evaluation Committee (天津市工程技術系列製藥專業副高級職稱評審委員會) ("**Vice-Senior Ranking Evaluation Committee**") in December 2023.

Mr. Chen was previously a general partner of the following partnership established in the PRC which was deregistered:

Name	Principal business activity	Date of deregistration	Status
Jundenuo	Technical consultation	November 18, 2021	Voluntary deregistration

Mr. Chen confirmed that to the best of his knowledge, (i) there is no wrongful act on his part leading to the deregistration; (ii) he is not aware of any outstanding or potential claim that has been or will be made against him as a result of the deregistration; and (iii) no misconduct or misfeasance had been involved in the deregistration.

Dr. Huo Aihong (霍愛紅), aged 47, joined our Group in June 2004, and has been our deputy general manager since March 2023 and our executive Director since May 2025. She is primarily responsible for product registration and late-stage development matters of our Company.

Dr. Huo has more than 20 years' experience in pharmaceutical research. Since December 2015, she has served as the deputy general manager of Tianjin Hemay Pharmaceutical. From June 2004 to December 2015, she held various research and development positions in Hemay Bio-Tech with the highest position held being its director of research and patent matters.

Dr. Huo obtained her bachelor's degree in pharmaceutical engineering from Qingdao Institute of Chemistry and Engineering (now known as Qingdao University of Science and Technology) in the PRC in July 2001. Dr. Huo obtained her master's degree in organic chemistry from Nankai University in the PRC in July 2004. Dr. Huo obtained her doctorate degree in applied chemistry from the Tianjin University School of Pharmacy in the PRC in June 2011. She holds a senior engineer qualification in pharmaceutical chemistry issued by the Vice-Senior Ranking Evaluation Committee in December 2023.

Dr. Huo was a limited partner of the following partnership established in the PRC which was deregistered:

Name	Principal business activity	Date of deregistration	Status
Jundenuo	Technical consultation	November 18, 2021	Voluntary deregistration

Dr. Huo confirmed that to the best of her knowledge, (i) there is no wrongful act on her part leading to the deregistration; (ii) she is not aware of any outstanding or potential claim that has been or will be made against her as a result of the deregistration; and (iii) no misconduct or misfeasance had been involved in the deregistration.

Non-executive Director

Mr. Zhang Guangneng (章廣能), aged 41, joined our Company since December 2021 as a Director and was redesignated as our non-executive Director in May 2025 since his strategic insights or industry connections could be better utilized in an advisory capacity rather than in operational management. He is primarily responsible for providing management and strategic advice to our Group.

Mr. Zhang has previously contributed strategic, governance, and industry-specific insights without being involved in day-to-day operations. There were no disputes between Mr. Zhang and our Group, and there were no impact regarding on our operations and clinical development after his redesignation.

Since April 2025, Mr. Zhang has served as a director of Zhiyan Zaowu (Hangzhou) Biotechnology Co., Ltd. (智衍造物(杭州)生物科技有限公司). Since August 2021, Mr. Zhang has served as a director of Beijing Dingji Biotechnology Co., Ltd. (北京鼎基生物科技有限公司, now known as Henan Dingji Biotechnology Co., Ltd. (河南鼎基生物科技有限公司)). Since November 2016, he has served as investment officer, deputy general manager, general manager and director of Chongqing Detong Equity Investment Fund Management Co., Ltd. (重慶德同股權投資基金管理有限公司). From April 2019 to October 2025, Mr. Zhang served as a director of Hemony Pharma Co., Ltd.. From December 2015 to January 2017, he served as a director of Shanghai Sailing Luyuan Growth Capital Management Co., Ltd. (上海賽領麓元創業投資管理有限公司). From October 2013 to October 2016, he served as the deputy investment officer of Shanghai Sailing Capital Management Co., Ltd (上海賽領資本管理有限公司). From January 2010 to September 2013, he served as senior investment manager of Ningbo Shanshan Growth Capital Co., Ltd. (寧波杉杉創業投資有限公司).

Mr. Zhang obtained his bachelor's degree from Wuhan University of Technology in the PRC in June 2005. He obtained his master's degree in finance from Southwestern University of Finance and Economics in the PRC in January 2008, and his master's degree in pathogenic organisms from Southern Medical University in the PRC in December 2024.

Mr. Zhang was a limited partner of the following partnership established in the PRC which was deregistered:

Name	Principal business activity	Date of deregistration	Status
Chengdu Jiaozi Tongsheng Enterprise Management Center (Limited Partnership) (成都交子同勝企業管理中心(有限合夥))	Private equity investment	January 12, 2024	Voluntary deregistration

Mr. Zhang confirmed that to the best of his knowledge, (i) there is no wrongful act on his part leading to the deregistration; (ii) he is not aware of any outstanding or potential claim that has been or will be made against his as a result of the deregistration; and (iii) no misconduct or misfeasance had been involved in the deregistration.

Independent Non-executive Directors

Mr. Shao Leilei (邵雷雷), aged 43, joined our Company since March 2023 as our independent non-executive Director. He is primarily responsible for providing independent advice to our Board.

Since January 2014, he has served as the founding partner and head of branch management committee of Beijing Jingshi Law Firm (北京市京師律師事務所), and since March 2019, as the head and founding partner of its Shenzhen branch, Beijing Jingshi (Shenzhen) Law Firm (北京京師(深圳)律師事務所). From 2010 to 2013, he was an associate in Beijing Yingke Law Firm (北京

市盈科律師事務所), and he made partner in 2013. In 2009, he served as an associate of Beijing Junyong Law Firm (北京市君永律師事務所). In 2008, he was an associate in Beijing Jingchang Law Firm (北京市京昌律師事務所). In 2007, he was an associate in Beijing Jingzhe Law Firm (北京市京哲律師事務所).

Since November 2020, he has served as independent director of Zhongfu Shenying Carbon Fiber Co., Ltd. (中復神鷹碳纖維股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688295). Since January 2025, he has served as independent director of Zhejiang Yaguang Technology Co., Ltd. (浙江亞光科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603282).

Mr. Shao obtained his bachelor's degree in law from Peking University in the PRC in September 2004, and was admitted as a practicing lawyer in the PRC in April 2007.

Mr. Shao previously held certain positions in the following entities which were deregistered:

Name	Place of incorporation/ establishment	Principal business activity	Position	Date of deregistration	Status
Laser Equity Group Limited	Hong Kong	Capital market services	Director	October 5, 2018	Deregistered due to members' voluntary winding up
Imperial University of Peking Limited	Hong Kong	Business services	Director	February 15, 2018	Deregistered due to members' voluntary winding up
Yingtan Leishi Jinke Investment Center (Limited Partnership) (鷹潭雷石金科投資中心(有限合夥)).	PRC	Capital market services	Limited partner	November 17, 2020	Deregistered due to members' voluntary winding up

Mr. Shao confirmed that to the best of his knowledge, (i) there is no wrongful act on his part leading to the deregistration; (ii) he is not aware of any outstanding or potential claim that has been or will be made against his as a result of the respective deregistration; and (iii) no misconduct or misfeasance had been involved in the respective deregistration.

Dr. Yang Cheng, aged 61, joined our Company since March 2023 as our independent non-executive Director. He is primarily responsible for providing independent advice to our Board.

Since September 2022, Dr. Yang has served as chairman of the board of Tianjin Jikun Pharmaceutical Technology Co., Ltd. (天津濟坤醫藥科技有限公司). From May 2015 to June 2016, he served as the vice president of School of Pharmacy of Nankai University, and was the dean of the School of Pharmacy of Nankai University since June 2016. Since June 2009, he has served as a professor and doctoral supervisor at the School of Pharmacy of Nankai University. Since April 2013, he has served as a director at Tianjin Molecular Drug Screening and Design Technology Engineering Center (天津市分子藥物篩選與設計技術工程中心).

From August 2019 to October 2021, Dr. Yang served as the president of Taida College of Nankai University. From April 2010 to October 2019, he served as the vice president of Tianjin International Institute of Biomedical Research. From December 1997 to April 2009, he served various roles, including research scientist, senior scientist, director of the research and development department and senior director of the Asia business development department at Rigaku (理學科技集團).

Dr. Yang obtained his bachelor's degree in analytical and physical chemistry from Tsinghua University in the PRC in July 1988. He obtained his master's degree in organic chemistry from Tsinghua University in the PRC in April 1991. He obtained his doctor of philosophy from Washington State University in the U.S. in December 1997.

Dr. Yang and us confirmed that as Dr. Yang's independence was not affected by his previous roles in Nankai University and did not have any kinds of involvement in our cooperation with Nankai University regarding the development of Novel Immunotoxins and Miniaturized antibody-drug conjugate similar drugs.

Ms. Jia Meng (賈夢), aged 41, joined our Company since June 2025 as our independent non-executive Director. She is primarily responsible for providing independent advice to our Board.

Since June 2021, Ms. Jia has served as the head of finance of Hong Kong Hengfeng Oil Trade Co., Ltd. From May 2017 to May 2021, she served as a vice president of Central China International Capital Limited. From November 2013 to February 2016, she worked at Citigroup Pty Limited. From May 2012 to November 2013, she worked at Bank of China Ltd. (Sydney Branch) and was responsible for financial reporting and management, regulatory reporting and capital management. From October 2009 to February 2012, she served as an audit and assurance associate in PwC Zhong Tian LLP Beijing Branch (formerly known as PricewaterhouseCoopers Zhong Tian CPAs Limited Company, Beijing Branch).

Since January 2026, Ms. Jia has served as independent non-executive director of Jiangsu Horizon Chain Supermarket Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2625).

Ms. Jia obtained her bachelor of business administration in accounting from the Beijing Institute of Technology in the PRC in July 2007, and her master of applied commerce in accounting from The University of Melbourne in Australia in August 2009. Ms. Jia is also a certified practicing accountant in Australia.

SUPERVISORS

Our Board of Supervisors consists of three Supervisors. Pursuant to our Articles, at least one-third of our Supervisors must be employee representatives selected by our employees. Except for the employee representative Supervisor, the other Supervisors are elected and appointed by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment.

The table below sets out certain information regarding our Supervisors:

Name	Age	Time of joining our Group	Time of appointment as Supervisor	Existing position(s) in our Company	Principal responsibilities	Relationship with Directors, Supervisors and senior management
Wei Xiaodi (魏小弟) . . .	62	August 2019	March 2023	Chairman of our Board of Supervisors and quality assurance officer of our Company	Supervising the operation and financial activities of our Company	None
Zhang Donglei (張冬雷) . . .	45	November 2007	March 2023	Supervisor and head of the pharmaceutical department of Tianjin Hemay Pharmaceutical	Supervising the operation and financial activities of our Company	None
Lv Jingjing (呂晶晶) . . .	42	May 2013	March 2023	Supervisor, and director of the pharmacodynamic department of Tianjin Hemay Pharmaceutical	Supervising the operation and financial activities of our Company	None

Mr. Wei Xiaodi (魏小弟), aged 62, joined our Company in August 2019 as quality assurance officer. Since March 2023, he has served as the chairman of our Board of Supervisors. He is responsible for supervising the operation and financial activities of our Company.

Prior to joining our Company, Mr. Wei served as the chief technology transformation officer of Qingfeng Pharmaceutical Group Co., Ltd. (青峰醫藥集團有限公司) from April 2017 to July 2019. He also served as the deputy general manager of production and quality assurance at Jiangxi Qingfeng Pharmaceutical Co., Ltd. (江西青峰藥業有限公司) from June 2013 to March 2017. He also served various roles as the workshop supervisor, production manager, human resources department manager, development department manager, OTC office manager and deputy chief engineer at Jiangxi Gannan Haixin Pharmaceutical Co., Ltd. (江西贛南海欣藥業股份有限公司) from March 2002 to May 2013. He was also an inspector and a deputy director of Jiangxi Gannan Pharmaceutical Factory (江西贛南製藥廠) from August 1985 to February 2002.

Mr. Wei obtained his bachelor's degree in traditional Chinese medicine from Jiangxi College of Traditional Chinese Medicine (now known as Jiangxi University of Chinese Medicine) in the PRC in July 1985. He holds a senior engineer qualification in pharmaceutical analysis issued by the Jiangxi Provincial Title Reform Leading Group (江西省職稱改革領導小組) in December 1998.

Mr. Zhang Donglei (張冬雷), aged 45, joined our Group in November 2007 as the head of analytics department of Hemay Bio-Tech. Since March 2023, he has served as our Supervisor. He is responsible for supervising the operation and financial activities of our Company.

Since May 2023, Mr. Zhang has been a supervisor of Anhui Hemay. Since November 2014, he has been the head of the pharmaceutical department of Tianjin Hemay Pharmaceutical.

Prior to joining our Group, he worked at Tianjin Nankai Yungong Pharmaceutical Technology Co., Ltd. (天津南開允公醫藥科技有限公司) from March 2006 to September 2007.

Mr. Zhang obtained his bachelor's degree in pharmaceutical engineering from Hebei University of Technology in the PRC in July 2003. He holds a senior engineer qualification in pharmaceutical chemistry issued by the Vice-Senior Ranking Evaluation Committee in December 2021.

Ms. Lv Jingjing (呂晶晶), aged 42, joined our Group in May 2013. Since March 2023, she has served as our Supervisor. She is responsible for supervising the operation and financial activities of our Company.

Since November 2014, Ms. Lv served as the director of the pharmacodynamic department of Tianjin Hemay Pharmaceutical. From May 2013 to November 2014, she served as an assistant research fellow in Hemay Bio-Tech.

Prior to joining our Group, Ms. Lv served as researcher of CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Limited (石藥集團中齊製藥技術(石家莊)有限公司) from July 2010 to April 2013. She holds a senior engineer qualification in pharmaceutical engineering issued by the Vice-Senior Ranking Evaluation Committee in December 2020.

Ms. Lv obtained her bachelor's degree in biological engineering from Heilongjiang University in the PRC in June 2007, and her master's degree in in pharmacology from Shenyang Pharmaceutical University in the PRC in June 2010.

SENIOR MANAGEMENT

Our senior management are responsible for the day-to-day operations and management of our business.

The table below sets out certain information regarding our senior management:

Name	Age	Time of joining our Group	Time of appointment as senior management	Existing position(s) in our Company	Principal responsibilities	Relationship with Directors, Supervisors and senior management
Zhang Hesheng (張和勝) . . .	62	July 2002	July 2002	Chairman of our Board, executive Director and general manager	Overseeing the day-to-day operations and overall business strategy and planning of our Group	Uncle-in-law of Mr. Chen
Chen Yingwei (陳英偉) . . .	44	May 2004	May 2012	Executive Director, deputy general manager, secretary to our Board and head of sales department	Managing operation, investment, legal, sales and marketing matters of our Group	Nephew-in-law of Dr. Zhang
Huo Aihong (霍愛紅) . . .	47	June 2004	December 2015	Executive Director and deputy general manager	Overseeing product registration affairs and late-stage development matters of our Group	None
Charles Richard Jones	71	March 2024	March 2024	Chief medical officer	Overseeing drug development and medical affairs of our Group	None
Zeng Guanghuai (曾廣懷) . . .	52	August 2004	September 2015	Deputy general manager	Overseeing early-stage research and development pipeline of our Group	None
Shi Yuling (石玉玲) . . .	48	December 2020	December 2020	Financial director	Overseeing financial activities of our Group	None

Dr. Zhang Hesheng (張和勝), see "— Board of Directors — Executive Directors" for details.

Mr. Chen Yingwei (陳英偉), see "— Board of Directors — Executive Directors" for details.

Dr. Huo Aihong (霍愛紅), see "— Board of Directors — Executive Directors" for details.

Dr. Charles Richard Jones, aged 71, joined our Group as chief medical officer in March 2024. He is mainly responsible for the drug development and medical affairs of the Group. He also served as the medical advisor of Tianjin Hemay Pharmaceutical from March 2017 to May 2018, where he was responsible for optimizing clinical development programmes in respiratory, dermatology, and IBD, and leading medical and scientific affairs.

Dr. Jones has over 30 years' experience in drug development and clinical research in the pharmaceutical and biotechnology industries. Prior to joining our Company, he served as the chief medical officer at Worg Pharmaceuticals (Zhejiang) Co., Ltd. (百明信康生物技術(浙江)有限公司) from August 2018 to July 2022. From May 2014 to July 2018, Dr. Jones was the vice president and global therapeutic head at inVentiv Health (now known as Syneos Health). From August 2012 to April 2014, Dr. Jones was a vice president at Quintiles (now known as IQVIA), a multinational biopharmaceutical development and commercial outsourcing service provider. From 2008 to 2012, he was an honorary medical officer of Queen Anne Street Medical Centre.

Dr. Jones obtained his bachelor of arts in pharmacology from Cambridge University in June 1975, his bachelor of medicine and bachelor of surgery from Oxford University Medical School in January 2009, and his doctorate degree in medicine from Oxford University in November 2009. He is a member of the Royal College of Physicians (UK) and holds additional professional membership

in the Faculty of Pharmaceutical Medicine (UK). He was also a member of Drug Information Association, a global professional association focusing on healthcare product development, and a member of the Endocrine Society, an international medical organization in the field of endocrinology and metabolism.

Dr. Zeng Guanghuai (曾廣懷), aged 52, joined our Group in August 2004. He has been the deputy general manager of our Company since March 2023, and the deputy general manager of Tianjin Hemay Pharmaceutical since September 2015. He is primarily responsible for our early-stage research and development pipeline, including project selection, early-stage design, technology synthesis, project application and related matters.

Dr. Zeng has more than 20 years' experience in pharmaceutical research. From July 2009 to August 2015, he was the research and development director of Tianjin Hemay Bio-Tech.

Dr. Zeng obtained his bachelor's degree in applied chemistry from Peking University in the PRC in July 1995, and his master's degree and doctorate degree in organic chemistry from Nankai University in the PRC in July 1998 and December 2003, respectively. He holds a senior engineer qualification in pharmaceutical chemistry issued by the Vice-Senior Ranking Evaluation Committee in December 2023.

Dr. Zeng was previously a limited partner of the following partnership established in the PRC which was deregistered:

Name	Principal business activity	Date of deregistration	Status
Jundenuo	Technical consultation	November 18, 2021	Voluntary deregistration

Dr. Zeng confirmed that to the best of his knowledge, (i) there is no wrongful act on his part leading to the deregistration; (ii) he is not aware of any outstanding or potential claim that has been or will be made against his as a result of the respective deregistration; and (iii) no misconduct or misfeasance had been involved in the respective deregistration.

Ms. Shi Yuling (石玉玲), aged 48, joined our Group in December 2020. She has been our Company and Hemay Pharmaceutical's financial director since December 2020. She is primarily responsible for overseeing financial activities of our Group.

Ms. Shi has over 15 years' experience in financial and project management. Prior to joining our Company, she was the financial consulting director of Tianjiu Co-Sharing Holding Group Co., Ltd. (天九共享控股集團有限公司) from December 2016 to December 2019. She served at Beijing Maisong Culture Communication Co., Ltd. (北京麥頌文化傳播有限公司), and was the project manager of Daxin Certified Public Accountants (Special General Partnership) (大信會計師事務所(特殊普通合夥)) from May 2010 to June 2014.

Ms. Shi obtained her bachelor's degree in accounting from Shanxi University of Finance and Economics in the PRC in July 1999.

JOINT COMPANY SECRETARIES

Mr. Chen Yingwei (陳英偉) was appointed as our joint company secretary in April 2025. For biographic details of Mr. Chen, see "— Board of Directors — Executive Directors."

Ms. Ng Wai Kam (伍偉琴) was appointed as our joint company secretary in April 2025. Ms. Ng has over 10 years of experience in company secretarial field. She is a senior manager of company secretarial services of Tricor Services Limited. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Ng is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Ng obtained her bachelor of business administration from Hong Kong Shue Yan University in 2011.

Ms. Ng is not our employee but will coordinate with Mr. Chen, the other joint company secretary, in discharging their duties as the joint company secretaries of our Company.

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration and assessment committee, the nomination committee and the strategic committee, and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our activities.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Company, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board. The audit committee consists of three members, namely Ms. Jia Meng, Mr. Shao Leilei and Dr. Yang Cheng. The chairperson of the audit committee is Ms. Jia Meng, who is our independent non-executive Director with appropriate professional qualifications under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Assessment Committee

We have established a remuneration and assessment committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

The primary duties of the remuneration and assessment committee are to establish, review and provide advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, make recommendations to our Board the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time. The remuneration and assessment committee consists of three members, namely Dr. Yang Cheng, Mr. Chen and Mr. Shao Leilei. The chairman of the remuneration and assessment committee is Dr. Yang Cheng.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; identify, select or make recommendations to our Board on the selection of individuals nominated for directorships, and ensure the diversity of our Board members; assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors. The nomination committee consists of three members, namely Mr. Shao Leilei, Dr. Zhang and Ms. Jia Meng. The chairman of the nomination committee is Mr. Shao Leilei.

Strategic Committee

We have established a strategic committee. The primary duties of the strategic committee are, among other things, to review our Company's product research and development status; conduct research on the long-term development strategy rules of our Company and provide recommendations; research and propose suggestions on major matters that require approval from our Board or Shareholders as stipulated in the Articles, as well as other major matters that affect

our Company's development, and inspect the implementation of such matters. The Strategic Committee consists of three members, namely Dr. Zhang, Mr. Chen and Dr. Huo. The chairman of the strategic committee is Dr. Zhang.

CORPORATE GOVERNANCE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders.

Under paragraph C.2.1 of part 2 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Zhang is the chairman of our Board and the general manager of our Company. With experience in the pharmaceutical industry and having served in our Company since its establishment, Dr. Zhang is in charge of overseeing the overall management, business operation and strategies of our Group. Despite the fact that the roles of the chairman of our Board and the general manager of our Company are both performed by Dr. Zhang which constitutes a deviation from paragraph C.2.1 of part 2 of the Corporate Governance Code, our Board considers that vesting the roles of both the chairman of our Board and our general manager all in Dr. Zhang has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of our Company. The balance of power and authority is ensured by the operation of our Board and our senior management, each of which comprises experienced and diverse individuals. Our Board comprises three executive Directors, a non-executive Director and three independent non-executive Directors. Therefore, our Board possesses a strong independence element in its composition.

Save as disclosed above, we intend to comply with all code provisions under the Corporate Governance Code.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy, which sets out the criteria in selecting candidates to our Board, to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Our Board currently consists both female and male Directors with a mix of education background, professional qualifications, skills, knowledge, and industry experience. Our Directors obtained degrees in various majors including pharmaceutical science, chemistry, biochemistry, finance, business management and law. We believe they can contribute different knowledge, skills and industry experience, such as overall management, strategic development, financial and accounting, investment and legal compliance. Our Board is of the view that our Board achieves the board diversity requirement in our Board Diversity Policy.

Our nomination committee will review and assess the composition of our Board and make recommendations to our Board on appointment of members of our Board. The nomination committee will also include in successive annual reports a summary of the board diversity policy and the progress on achieving these objectives.

CONFIRMATION FROM OUR DIRECTORS

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which materially 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 private and/or public companies within the industry in which our Group operates. However, as these non-executive Directors are neither our controlling shareholders nor members of our senior management, 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 they may hold directorships from time to time.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in May 2025; and (ii) understands his or her obligations as a director of a listed issuer on the Stock Exchange under the Listing Rules.

Each of the independent non-executive Directors confirms (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he or she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

DIRECTORS' AND SUPERVISORS' REMUNERATION

We offer our Directors, Supervisors and senior management, who are also employees of our Company, emolument in the form of salaries, bonuses, contribution to retirement scheme, medical insurances and other social insurance.

The remuneration (including salaries, bonuses, shares, contribution to retirement scheme, medical insurances, other social insurance and share-based payment) paid to our Directors and Supervisors in aggregate for 2024 and 2025 were RMB13.6 million and RMB13.2 million, respectively. None of our Directors or Supervisors had waived or agreed to waive any remuneration during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, no other payments have been paid or are payable by our Company to our Directors and Supervisors for 2024 and 2025.

The remuneration (including salaries and bonuses, contribution to retirement scheme, medical insurances and other social insurance) paid to our five highest paid individuals includes two and three Directors for 2024 and 2025, respectively. The aggregate remuneration payable to the five highest individuals (excluding the remuneration received by two and three Directors) for 2024 and 2025 RMB4.6 million and RMB3.3 million, respectively.

No payment was made by us to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office during the Track Record Period.

Pursuant to the existing arrangements that are currently in force as at the date of this document, the amount of remuneration (excluding discretionary bonuses but including share-based payment) payable to our Directors and Supervisors by our Company for the year ending December 31, 2026 is estimated to be no more than RMB15.5 million in aggregate.

No other payments had been made, or are payable, by any member of our Company to our Directors and Supervisors during the Track Record Period and up to the Latest Practicable Date. For additional information on our Directors and Supervisors' remuneration during the Track Record Period and up to the Latest Practicable Date as well as information on the highest paid individuals, see notes 10 and 33 of the Accountant's Report in Appendix I to this document.

EQUITY INCENTIVE SCHEME

Our Company has adopted the Equity Incentive Scheme on October 12, 2021 pursuant to which Shares were reserved for eligible employees.

The principal terms of the Equity Incentive Scheme are summarized in the section headed "Statutory and General Information — D. Equity Incentive Scheme" in Appendix VII to this document.

COMPLIANCE ADVISOR

Our Company has appointed Maxa Capital Limited as our compliance advisor upon the [**REDACTED**] of our Shares on the Stock Exchange pursuant to Rule 3A.19 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

- where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

- where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the [**REDACTED**] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Dr. Zhang controlled approximately 25.22% of the voting rights of our Company through Ganzhou Hesheng and Ganzhou Heyi, which held approximately 21.29% and 3.92% of our Shares, respectively. Ms. Guo, being Dr. Zhang's spouse, controlled approximately 21.29% of the voting rights of our Company through Hong Kong Hemay. Accordingly, Dr. Zhang and Ms. Guo collectively controlled approximately 46.51% of the voting rights of our Company, and together with Ganzhou Hesheng, Hong Kong Hemay and its holding companies, and Ganzhou Heyi, are our Controlling Shareholders.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), (i) Dr. Zhang will control approximately [**REDACTED**]% of the voting rights of our Company through Ganzhou Hesheng and Ganzhou Heyi; and (ii) Ms. Guo will control approximately [**REDACTED**]% of the voting rights of our Company through Hong Kong Hemay. Accordingly, Dr. Zhang and Ms. Guo will collectively control approximately [**REDACTED**]% of the voting rights of our Company, and together with Ganzhou Hesheng, Hong Kong Hemay and its holding companies, and Ganzhou Heyi, will continue to be our Controlling Shareholders.

Dr. Zhang is also our founder, chairman of our Board, general manager and executive Director. For further information of Dr. Zhang, see "Directors, Supervisors and Senior Management — Board of Directors." Ganzhou Hesheng and Hong Kong Hemay are investment holding vehicles with no substantive business activities, while Ganzhou Heyi serves as our employee shareholding platform. For details, see "History, Development and Corporate Structure — Employee Shareholding Platform."

Acting in Concert Agreement

In September 2023, Dr. Zhang and Ms. Guo entered into the acting in concert agreement (the "**Acting in Concert Agreement**"), in which they confirmed that they have been acting in concert previously, and undertook that they will be parties acting-in-concert in relation to voting for corporate matters of each of our Company and its subsidiaries from time to time. Dr. Zhang and Ms. Guo further confirmed that, in respect of any shareholders' resolution, the opinion of Dr. Zhang shall be the final voting opinion amongst them; and the Acting in Concert Agreement shall not be amended or terminated unless mutually agreed in writing by all parties.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders after the [**REDACTED**].

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We have our own independent departments to support the operations and management of our current business. We have registered the relevant intellectual property rights relating to relevant technologies of our business and our product. We hold the licenses and qualifications necessary to carry on our current business, and have sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders and their close associates. We have access to suppliers independently from and not connected to our Controlling Shareholders and their close associates.

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and their close associates.

Management Independence

Our Board comprises seven Directors, including three executive Directors, a non-executive Director and three independent non-executive Directors. Our Board has a balanced composition with a majority of non-executive Directors including independent non-executive Directors not associated with our Controlling Shareholders and their close associates.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests. In the event that there is a potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on the relevant Board meeting in respect of such transactions and shall not be counted in the quorum. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. See "— Corporate Governance" for further details.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and their close associates.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function.

During the Track Record Period, Dr. Zhang and Mr. Chen, our executive Directors; and Hong Kong Hemay, our Controlling Shareholder, provided guarantees over certain loans for the benefit of our Group which were applied in our ordinary course of business. Such guarantees have been fully released as of the Latest Practicable Date.

In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received the [**REDACTED**] Investments from [**REDACTED**] Investors independently. For details of the [**REDACTED**] Investments, see "History, Development and Corporate Structure — [**REDACTED**] Investments."

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and their close associates.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance in 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 our Controlling Shareholders:

1. where a Shareholders' meeting is to be held for considering proposed transactions in which any member have a material interest, any votes cast by or on behalf of such member shall not be counted;

2. our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholders or any of their respective associates, our Company will comply with the applicable Listing Rules;

3. our independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

4. our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

5. our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements as required by the Listing Rules;

6. 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

7. we have appointed Maxa Capital Limited as our compliance advisor to provide advice and guidance to use in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the following persons will have interest and/or short position in the Shares or the underlying Shares of our Company which would fall to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest	Description of Shares	Number of Shares	Approximate % of shareholding in the relevant type of Shares upon completion of the [REDACTED]	Approximate % of shareholding in the total share capital of our Company upon completion of the [REDACTED]
Dr. Zhang[(2)]	Interest in controlled corporation	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	Interest of spouse	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Ganzhou Hesheng	Beneficial owner	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Ms. Guo[(3)]	Interest in controlled corporation	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	Interest of spouse	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Prime Honor	Interest in controlled corporation	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Hemay Holding	Interest in controlled corporation	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Hemay Investment	Interest in controlled corporation	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Hong Kong Hemay	Beneficial owner	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Zhenzhuo Investment[(4)]	Interest in controlled corporation	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Mr. Zhuang[(5)]	Interest in controlled corporation	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Zhenzhuo Pharmaceutical	Beneficial owner	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Mr. Jacky Zhuang[(6)]	Interest in controlled corporation	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Truman	Beneficial owner	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Shanghai Hongfu[(7)]	Interest in controlled corporation	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Aile Zhide	Beneficial owner	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
High Estate	Beneficial owner	H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Unlisted Shares in issue and [**REDACTED**] H Shares in issue upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(2) Dr. Zhang is the general partner of Ganzhou Hesheng, and was also interested in 99.90% of Ganzhou Hesheng's partnership interest. Ganzhou Heyi is the beneficial owner of [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares, and Dr. Zhang was also interested in approximately 71.43% of Ganzhou Heyi's partnership interest. Dr. Zhang is the spouse of Ms. Guo. Dr. Zhang and Ms. Guo also entered into an acting in concert agreement, in which they confirmed and undertook that, they have been and will be parties acting-in-concert in relation to voting for corporate matters of our Group. Therefore, under the SFO, Dr. Zhang is deemed to be interested in the Shares which Ganzhou Hesheng, Ganzhou Heyi and Ms. Guo are interested in.

(3) Hong Kong Hemay is directly wholly owned by Hemay Investment, which is directly wholly owned by Hemay Holding. Hemay Holding is directly wholly owned by Prime Honor, which is directly wholly owned by Ms. Guo. Ms. Guo is the spouse of Dr. Zhang. Therefore, under the SFO, Ms. Guo is deemed to be interested in the Shares which Dr. Zhang is interested in.

(4) Zhenzhuo Xinqi is the beneficial owner of [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares. Zhenzhuo Investment is the executive partner and general partner of Zhenzhuo Pharmaceutical and Zhenzhuo Xinqi. Therefore, under the SFO, Zhenzhuo Investment is deemed to be interested in the Shares which Zhenzhuo Pharmaceutical and Zhenzhuo Xinqi are interested in.

(5) Mr. Zhuang is a limited partner of Zhenzhuo Hongzhi and is interested in 99.90% of its partnership interest, while Zhenzhuo Hongzhi is a general partner of Zhenzhuo Pharmaceutical. Therefore, under the SFO, Mr. Zhuang is deemed to be interest in the Shares which Zhenzhuo Pharmaceutical is interested in.

(6) Truman is directly wholly owned by Hailing Pharmaceutical Holdings Limited, which is indirectly wholly owned by Mr. Jacky Zhuang. Therefore, under the SFO, each of Mr. Jacky Zhuang and Hailing Pharmaceutical Holdings Limited is deemed to be interested in the Shares which Truman is interested in.

(7) Xiade Investment, Yide Investment and Linde Investment are the beneficial owners of [**REDACTED**] H Shares, [**REDACTED**] H Shares and [**REDACTED**] H Shares, respectively, and Shanghai Hongfu is the general partner of the abovementioned entities and Aile Zhide. Therefore, under the SFO, Shanghai Hongfu is deemed to be interested in the Shares which Aile Zhide, Xiade Investment, Yide Investment and Linde Investment are interested in.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

Immediately Before the [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB 396,846,576 comprising 396,846,576 Unlisted Shares with a nominal value of RMB1.00 each.

Upon Completion of the [REDACTED]

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) and the conversion of [**REDACTED**] Unlisted Shares into H Shares, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the total [REDACTED] share capital
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Unlisted Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be issued pursuant to [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

SHARE CLASS

Upon completion of the [**REDACTED**] and the abovementioned conversion, our Shares will consist of Unlisted Shares and H Shares. Both Unlisted Shares and H Shares are ordinary shares in the share capital of our Company. Apart from certain qualified domestic institutional investors in the PRC, certain qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be [**REDACTED**] by or [**REDACTED**] among legal or natural persons of the PRC.

Unlisted Shares and H Shares are regarded as one class of shares under our Articles of Association, and Unlisted Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our Shares are to be declared and paid by us in Hong Kong dollars or Renminbi. Other than cash, dividends could also be paid in the form of shares or a combination of cash and shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

All our Unlisted Shares are not [**REDACTED**] or [**REDACTED**] on any stock exchange. The holders of our Unlisted Shares may, at their own option, authorize us to apply to the CSRC for conversion of their respective Unlisted Shares to H Shares. After the conversion of Unlisted Shares, such converted Shares may be [**REDACTED**] or [**REDACTED**] on an overseas stock exchange, provided that such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and the filing procedure with the CSRC shall have completed. The [**REDACTED**] of such converted Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange. In addition, such conversion, [**REDACTED**] and [**REDACTED**] shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Based on the procedures for the conversion of our Unlisted Shares into H Shares as disclosed in this section, we can apply for the [**REDACTED**] of all or any portion of our Unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the H Share register. As any [**REDACTED**] of additional Shares

after our [**REDACTED**] on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it will not require such prior application for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong.

No class Shareholder voting is required for the [**REDACTED**] and [**REDACTED**] of the converted Shares on the Hong Kong Stock Exchange. Any application for [**REDACTED**] of the converted Shares on the Hong Kong Stock Exchange after our [**REDACTED**] is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Unlisted Shares will be withdrawn from the Unlisted Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the [**REDACTED**] to issue H Share certificates. 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 [**REDACTED**] on the Hong Kong Stock Exchange in compliance with the Listing Rules, [**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.

TRANSFER OF SHARES ISSUED PRIOR TO [REDACTED]

In accordance with Article 160 of the PRC Company Law, shares issued prior to a public offering of shares by a company cannot be transferred within one year from the date on which the company's shares are listed and traded on the stock exchange.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-Share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) announced by the CSRC, the domestic shareholders of Unlisted Shares shall handle share transfer registration business in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited. Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the China Securities Depository and Clearing Corporation Limited of the Unlisted Shares involved in the application is completed.

You should read the following discussion and analysis together with our consolidated financial statements included in the Accountant's Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements were prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties. Our actual performance and results may differ materially from our expectations and predictions as a result of certain factors, including those set out in the sections entitled "Forward-Looking Statements", "Risk Factors", and elsewhere in this document. In addition, certain industry issues also affect our financial condition and results of operations, as described in "Industry Overview".

OVERVIEW

Established in 2002, we are a biopharmaceutical company dedicated to the discovery and development of self-discovered small-molecule drugs for autoimmune diseases and oncology. As of the Latest Practicable Date, our pipeline consists of seven small molecule drug candidates, including two Core Products, Mufemilast and Hemay022. Mufemilast has received NDA approval in China. For Hemay022, we were conducting a Phase III combination therapy clinical trial targeting advanced ER+/HER2+ breast cancer as of the Latest Practicable Date.

As of the Latest Practicable Date, our Mufemilast was approved for commercial sale and have not generated any revenue from product sales. We incurred operating losses during the Track Record Period. Our loss before taxation was RMB123.4 million and RMB129.8 million in 2024 and 2025, respectively. Substantially all of our loss resulted from research and development expenses, and general and administrative expenses.

Subsequent to the [**REDACTED**], we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to the development status of our drug candidates, timeline and terms of potential collaboration with our partners, regulatory approval timeline and commercialization of our drug candidates.

RECENT DEVELOPMENTS

We have received the approval to conduct the phase I clinical trial for Hemay5087 from the NMPA in February 2026 and were initiating the clinical trial. The enrollment of Phase III clinical trials BD for Mufemilast has completed.

On March 12, 2026, we have repaid the Convertible Bonds in full.

The NMPA has approved our trial protocol of Mufemilast for Phase III UC in February 2026. We are the in the process of planning such clinical trial as of the Latest Practicable Date.

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial, operational and trading positions or prospects since December 31, 2025, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this document, and there has been no events since December 31, 2025 that would materially affect the information shown in the Accountant's Report included in Appendix I to this document.

BASIS OF PREPARATION

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS Accounting Standards**") as issued by the International Accounting Standards Board ("**IASB**"). Our consolidated financial statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities (including derivative instruments) that are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires our management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 of the Accountant's Report in Appendix I to this document.

Our Group is in the development stage for certain drug candidates and has one drug candidate ready for commercialisation yet. In 2025, our Group incurred a net loss of RMB129.8 million and net operating cash outflow of RMB81.2 million.

In view of such circumstance, our Directors have carefully considered the sources of financing available to us and our operating performance in assessing whether we will have sufficient financial sources to continue as a going concern for at least the next twelve months from December 31, 2025. The Board has reviewed management's cash flow projections covering not less than twelve months from December 31, 2025. Based on the factors disclosed in note 2.1(iii) of the Accountant's Report in Appendix I to this document our Group's historical performance and management's operating and financing plans, our Directors believe the cash and cash equivalents on hand, and anticipated cash inflow from unutilized bank facilities are sufficient to meet the cash requirements to fund our Group's planned operations, capital expenditures and other obligations for at least the next twelve months after December 31, 2025. Therefore, our consolidated financial statements are prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below:

Development, Regulatory Approvals and Commercialization of Our Drug Candidates

Our business and results of operations depend on our ability to successfully develop and obtain regulatory approval of our drug candidates. As of the Latest Practicable Date, we had six drug candidates in our product pipeline that had advanced to the clinical stage, including our Core Products, Mufemilast and Hemay022, and our key products, Hemay007, Hemay808, Hemay181 and Hemay5087. Additionally, we also had two drug candidates at preclinical stage. For details of the development status of our drug candidates, see "Business — Our Product Pipeline." Whether our drug candidates can demonstrate favorable safety and efficacy clinical trial results, and whether we can obtain the requisite regulatory approvals for our drug candidates in time, are crucial for our business and results of operations.

Although we currently have not generated any revenue from product sales, we expect to commercialize one or more of our drug candidates over the coming years. Our ability to generate revenue from our drug candidates depends on the successful commercialization of the drug candidates, which may require significant sales and marketing efforts in accordance with local rules and regulations. If our drug candidates are approved but fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. See also "Risk Factors — Risks Relating to Our Business — Risks Relating to the Manufacturing and Commercialization of Our Drug Candidates."

Potential Competition Upon Commercialization

The biopharmaceutical industry in which we operate is highly competitive and rapidly changing. Although we focus on developing drug candidates with the potential to become highly differentiated, we also face competition with respect to our current drug candidates and any future candidates we may seek to develop or commercialize will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future. For instance, our core product Mufemilast, upon potential commercialization, will face competition from existing marketed small-molecule targeted drugs for psoriasis such as Symbiox, Otezla, and Rinvoq. See "Industry Overview — Autoimmune Disease Drug Market — Psoriasis (Ps) Drug Market — Competitive Landscape of Small-Molecule Targeted Drugs for Psoriasis Treatment in China" for further details. Competition may further intensify as a result of advances in the commercial

applicability of technologies and availability of capital for investment in the industry. Our competitors may succeed in developing, acquiring, or licensing on an exclusive basis, products that are more effective with lower cost than our drug candidates, or achieve earlier patent protection, regulatory approvals, product commercialization and market penetration than we do. To compete effectively against an approved product, we must demonstrate compelling advantages in efficacy, convenience, tolerability or safety in order to overcome price competition and to be commercially successful. Furthermore, disruptive technologies and medical breakthroughs may further intensify the competition and render our drug candidates obsolete or noncompetitive. See "Risk Factors — Risks Relating to Our Business — Risks Relating to Pre-Clinical and Clinical Development of Our Drug Candidates — We may face intense competition and our competitors may discover, develop, or commercialize competing drugs more quickly and successfully than we do."

Our Cost Structure

Our results of operations have been and will be significantly affected by our cost structure, which primarily consisted of research and development expenses, and general and administrative expenses, selling and marketing expenses and finance costs during the Track Record Period.

Research and development activities are central to our business. In 2024 and 2025, our R&D expenses were RMB97.0 million and RMB90.3 million, respectively. Our R&D expenses primarily consist of clinical research and service fees, outsourced research and development costs, employee benefit expenses, raw materials and consumables used, depreciation and amortization, share-based payment expenses and others. Our current R&D activities primarily relate to the clinical development of our Core Products and key products. We expect our research and development expenses to continue to increase for the foreseeable future as we continue to progress the clinical development of our current and future drug candidates. As the clinical trials of our drug candidates continue to progress and as we continue to expand our product pipeline, we expect to incur additional costs in relation to preclinical studies and clinical trials, procurement of raw materials, expansion of our research and development team, and production facilities, among other things.

Our general and administrative expenses primarily consist of employee benefit expenses, depreciation and amortization, professional service fees, and others. In 2024 and 2025, our general and administrative expenses were RMB33.3 million and RMB46.0 million, respectively. We expect our administrative expenses to increase in the foreseeable future to support our expanding business operation.

We expect our cost structure to evolve as we continue to develop and expand our business. As the clinical trials of our drug candidates continue to progress and as we continue to expand our product pipeline, we expect to incur additional costs in relation to preclinical studies and clinical trials, procurement of raw materials, expansion of our research and development team, production facilities, among other things. Moreover, once our drug candidates receive marketing approvals and are commercialized, we are expected to dedicate our resources to sales and marketing. We also anticipate an increase in the legal, compliance, accounting, insurance, and investor and public relations expenses as a result of becoming a public company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through capital injection from our Shareholders and borrowings. Going forward, upon successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with revenue generated from sales of our commercialized drug products. However, with the continuing expansion of our business and product pipelines, we may require additional funding through public or private equity offerings, borrowings or other sources. Any changes in our ability to fund our operations will affect our cash flow and results of operations. For additional details, see "— Liquidity and Capital Resources."

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including

industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our major accounting policy information and significant accounting judgements and estimates, are set forth in detail in the notes to the Accountant's Report set out in Appendix I to this document.

PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of comprehensive income for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Other income	5,298	5,799
Selling and marketing expenses	(818)	(989)
General and administrative expenses	(33,304)	(45,978)
Research and development expenses	(96,987)	(90,275)
Other gains – net	3,963	2,414
Operating loss	**(121,848)**	**(129,029)**
Finance income	263	550
Finance costs	(1,808)	(1,327)
Finance costs – net	**(1,545)**	**(777)**
Loss before income tax	**(123,393)**	**(129,806)**
Income tax expense	–	–
Loss for the year	**(123,393)**	**(129,806)**
Loss for the year attributable to:		
Owners of the Company	(123,393)	(129,806)
Non-controlling interests	–	–
	(123,393)	**(129,806)**

Other Income

Our other income primarily consists of government grants, mainly comprising awards and subsidies granted by the PRC local government authorities for our research and development activities and status as a high-growth technology company. Such government grants had no conditions or contingencies attached or were recognized upon compliance with the attached conditions. The following table sets forth a breakdown of our other income:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Government grants	5,236	5,737
Amortization of deferred income	62	62
Total	**5,298**	**5,799**

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) employee benefit expenses, mainly comprising salaries and welfare for our sales and marketing staff; and (ii) traveling and transportation expenses, mainly incurred by our sales and marketing staff. The following table sets forth a breakdown of our selling and marketing expenses, in absolute amounts and as percentages of total selling and marketing expenses:

	Year ended December 31,			
	2024		2025	
	(RMB in thousands except for percentages)			
Employee benefit expenses	786	96.1%	938	94.8%
Traveling and transportation expenses	31	3.8%	50	5.1%
Depreciation of property, plant and equipment	1	0.1%	1	0.1%
Total	**818**	**100.0%**	**989**	**100.0%**

In 2024, we began to recruit sales and marketing personnel in preparation for the upcoming commercialization and sale of our Core Products, in particular Mufemilast.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefit expenses, mainly comprising salaries and welfare for our administrative staff; (ii) depreciation of property, plant and equipment and right-of-use assets; (iii) professional service fees, mainly comprising consulting and other service fees and auditor's remuneration in relation to our A-Share Listing Attempt; (iv) share-based payment expenses, representing expenses to our qualified employees under our Equity Incentive Scheme; (v) office expenses, representing expenses incurred in office operations such as procurement of office consumables, telecommunication services and decoration and facility renovation expenses; and (vi) traveling and transportation expenses, mainly incurred by our administrative staff. The following table sets forth a breakdown of our general and administrative expenses, in absolute amounts and as percentages of total general and administrative expenses:

	Year ended December 31,			
	2024		2025	
	(RMB in thousands except for percentages)			
Employee benefit expenses	13,512	40.6%	14,254	31.0%
Depreciation of property, plant equipment and right-of-use assets	8,925	26.8%	9,135	19.9%
Professional service expenses[(1)]	3,098	9.3%	312	0.7%
Share-based payment expenses	2,661	8.0%	2,142	4.7%
Office expenses	507	1.5%	877	1.9%
Traveling and transportation expenses	286	0.9%	287	0.6%
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others[(2)]	4,315	13.0%	2,438	5.3%
Total	**33,304**	**100.0%**	**45,978**	**100.0%**

(1) Professional service expenses comprise consulting, auditors fees and other service fees.

(2) Others primarily include tax and surcharges, utilities, maintenance fees and low-value consumables for office use.

R&D Expenses

Our R&D expenses primarily consist of (i) clinical research and service fees incurred for engaging CROs and hospitals in relation to clinical trials of our pipeline products; (ii) outsourced research and development costs, mainly incurred for pre-clinical studies and research process development conducted by CROs; (iii) employee benefit expenses, mainly comprising salaries and welfare for our research and development staff; and (iv) raw materials and consumables used, mainly comprising the costs of raw materials and utilities used in our research and development activities. The following table sets forth a breakdown of our R&D expenses, in absolute amounts and as percentages of total research and development expenses:

	Year ended December 31,			
	2024		2025	
	(RMB in thousands except for percentages)			
Clinical research and service fees	34,350	35.4%	16,999	18.8%
Outsourced R&D costs	8,713	9.0%	26,450	29.3%
Employee benefit expenses	22,989	23.7%	23,731	26.3%
Raw materials and consumables used	10,405	10.7%	3,571	4.0%
Depreciation and amortization	6,198	6.4%	4,719	5.2%
Share-based payment expenses	8,964	9.2%	7,756	8.6%
Others[(1)]	5,368	5.6%	7,049	7.8%
Total	**96,987**	**100.0%**	**90,275**	**100.0%**

(1) Others primarily include patent application and maintenance expenses, office expenses and traveling and transportation expenses.

The following table sets forth a breakdown of our clinical research and service fees and outsourced R&D costs (excluding raw materials and consumables used, employee benefit expenses, and depreciation and amortization) attributable to our Core Products by development stage, for the years indicated:

	Year ended December 31,			
	2024		2025	
	(RMB in thousands except for percentages)			
Pre-clinical	3,646	10.2%	7,335	22.4%
Phase I clinical trial	863	2.4%	4,854	14.8%
Phase II clinical trial	8,167	23.0%	2,670	8.1%
Phase III clinical trial and NDA stage	22,894	64.4%	17,910	54.7%
Total	**35,570**	**100.0%**	**32,769**	**100.0%**

The following table sets forth a breakdown of our R&D expenses by product for the years indicated:

	Year ended December 31,			
	2024		2025	
	(RMB in thousands except for percentages)			
Mufemilast	58,487	60.3%	55,649	61.6%
Hemay022	12,358	12.7%	6,331	7.0%
Hemay181	13,006	13.4%	6,648	7.4%
Hemay808	1,099	1.1%	6,566	7.3%
Hemay5087	2,541	2.6%	9,686	10.7%
Other pipeline	9,496	9.9%	5,395	6.0%
Total	**96,987**	**100.0%**	**90,275**	**100.0%**

Other Gains, Net

Our other gains, net, primarily consist of interest income from term deposits and net losses on disposals of property, plant and equipment. The following table sets forth a breakdown of our net other gains, for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Interest income from term deposits	3,953	2,454
Net losses on disposals of property, plant and equipment	(5)	(25)
Others	15	(15)
Total	**3,963**	**2,414**

Finance Costs — net

Our net finance costs represent the difference between our finance income and our finance costs. Our finance income consists of interest income from cash at banks. Our finance costs primarily consist of (i) interest expenses on borrowing and convertible bonds, (ii) interest expenses on redemption liabilities, (iii) interest expenses on lease liabilities and (iv) net foreign exchange losses. The following table sets forth a breakdown of our finance income and finance costs:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Finance income		
Interest income from cash at banks	263	550
Finance costs		
Interest expenses on borrowings and convertible bonds	(3,737)	(3,328)
Less: received government subsidy related to interest	2,040	2,040
Net interest expenses on borrowings and convertible bonds	(1,697)	(1,288)
Interest expenses on lease liabilities	(86)	(31)
Net foreign exchange losses	(25)	(8)
	(1,808)	(1,327)
Finance costs, net	**(1,545)**	**(777)**

Net interest expenses on bank borrowings and convertible bonds represents the total costs incurred from our bank borrowings and convertible bonds excluding the borrowings cost capitalised into our property, plant and equipment and the specific subsidy granted by the local goverment in relation to the Convertible Bond issued by Xiajiang Hemay, one of our subsidiaries.

Interest expense on redemption liabilities represents the interest expenses associated with the financial liabilities resulting from redeemable rights against our Company which we granted to some of our [**REDACTED**] Investors and were terminated prior to the conversion of our Company into a joint stock limited liability company. Interest expenses on lease liabilities represented the costs incurred from financing our lease agreements. Net foreign exchange losses represented the loss in value due to changes in currency exchange rates on our foreign-related transactions.

Income Tax Expenses

We are subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which members of our Group are domiciled and operate. During the Track Record Period and up to the Latest Practicable Date, we did not incur any current income tax and recorded deferred tax.

The following sets forth our principal applicable taxes and tax rates by jurisdiction:

PRC

Pursuant to the Enterprise Income Tax Law of the PRC and its relevant regulations, entities which operate in China are subject to a 25% income tax rate. Our Company and Tianjin Hemay Pharmaceutical qualified as High and New Technology Enterprise, respectively, and are entitled to preferential income tax rate of 15%.

Australia

Hemay Australia was incorporated in Australia and is subject to federal and state income tax rate of 25% during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had made all required tax filings, had paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Other Income

Our other income increased by 9.5% from RMB5.3 million in 2024 to RMB5.8 million in 2025, primarily due to an increase in the government grants we received, due to (i) subsidies for our research and development projects from Australian government; and (ii) county-level subsidies as a reward for the completion of our joint-stock reform, partially offset by a decrease in subsidies granted to high-growth technology company.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 20.9% from RMB0.8 million in 2024 to RMB1.0 million in 2025, primarily due to (i) our recruitment of sales team April 2024, who only incurred such expenses after April 2024, resulting in the increase of employee benefit expenses; and (ii) an increase in traveling and transportation expenses and social insurance contributions.

General and Administrative Expenses

Our general and administrative expenses increased by 38.1% from RMB33.3 million in 2024 to RMB46.0 million in 2025, primarily due to a RMB16.5 million increase in [**REDACTED**] of the [**REDACTED**]; partially offset by a RMB2.8 million decrease in professional services expenses.

Research and Development Expenses

Our research and development expenses decreased by 6.9% from RMB97.0 million in 2024 to RMB90.3 million in 2025, primarily due to (i) a decrease in clinical research and service fees, primarily due to lower patient enrollment as the clinical trials of Mufemilast for Phase II UC, and the Phase I clinical trial of Hemay181 were substantially completed by the end of 2024, and the clinical trial of Phase III BD completed the majority of patient enrollment in 2024 with the remaining enrollment expected to be completed by the end of 2025; and (ii) a decrease in raw materials and consumables, as Mufemilast's Phase III clinical trial for Ps were completed in 2024, partially offset by (iii) an increase in outsourced R&D costs, reflecting research efforts for Mufemilast for new indications and Hemay5087.

Other Gains – Net

Our net other gains decreased by 39.1% from RMB4.0 million in 2024 to RMB2.4 million in 2025, primarily due to a RMB1.5 million decrease in our interest income from term deposits, mainly attributable to a decrease in the average interest rate in 2025.

Finance Costs – Net

We had net finance cost of RMB1.5 million in 2024 and RMB0.8 million in 2025. This decrease was primarily due to (i) a RMB0.3 million increase in our interest income from cash at banks; and (ii) a RMB0.4 million decrease in our interest expenses on borrowings and convertible bonds, mainly attributable to higher interest expenses on bonds payable incurred in 2024, while a reduction in the interest rate on bonds payable effective from March 2025.

Loss for the Year

As a result of the foregoing, our loss for the year increased from RMB123.4 million in 2024 to RMB129.8 million in 2025.

DISCUSSION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this document.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Total non-current assets	289,145	203,507
Total current assets	161,181	128,903
Total assets	**450,326**	**332,410**
Total non-current liabilities	(10,102)	(9,542)
Total current liabilities	(156,723)	(159,343)
Total liabilities	**(166,825)**	**(168,885)**
Net assets	**283,501**	**163,525**
Share capital	396,847	396,847
Reserves and accumulated losses	(113,346)	(233,322)
Total equity	**283,501**	**163,525**

Our net assets decreased by 42.3% from RMB283.5 million as of December 31, 2024 to RMB163.5 million as of December 31, 2025, primarily reflecting a reduction in total equity due to the recognition of a loss and total comprehensive loss of RMB129.8 million in 2025, partially offset by share-based payment expenses of RMB9.9 million.

Current Assets and Current Liabilities

	As of December 31,		As of April 30,
	2024	2025	2026
		(RMB in thousands)	*(unaudited)*
Current assets			
Prepayments and other receivables	11,384	6,557	8,563
Term deposits – current	–	64,954	43,673
Cash and cash equivalents	149,797	57,392	45,084
Inventory	–	–	4,593
Total current assets	**161,181**	**128,903**	**101,913**

	As of December 31,		As of April 30,
	2024	2025	2026
		(RMB in thousands)	*(unaudited)*
Current liabilities			
Trade and notes payables	41,837	38,649	41,423
Accruals and other payables	18,072	20,014	16,183
Borrowings	96,325	100,108	104,307
Lease liabilities	489	572	578
Total current liabilities	**156,723**	**159,343**	**162,492**
Net current (liabilities)/assets	**4,458**	**(30,440)**	**(60,579)**

We had net current assets of RMB4.5 million as of December 31, 2024 and net current liabilities of RMB30.4 million as of December 31, 2025. This reversal was primarily due to (i) a RMB92.4 million decrease in our cash and cash equivalents, mainly attributable to our research and development expenses and our general and administrative expenses; (ii) a RMB4.8 million decrease in our current prepayments and other receivables, primarily attributable to the recognition of research and development expenses in 2025 for prepayments for clinical research and services and outsourced research and development; (iii) a RMB3.8 million increase of our current borrowings; and partially offset by a RMB65.0 million increase of our current term deposits, mainly attributable to the reclassification of long-term deposits.

Our net current liabilities further increased from RMB30.4 million as of December 31, 2025 to RMB60.6 million as of April 30, 2026, primarily due to (i) a RMB12.3 million decrease in our cash and cash equivalents and a RMB21.3 million decrease in our short-term time deposits, which were mainly attributable to net cash outflows from our daily operating activities; and (ii) a RMB4.2 million increase in our borrowings, mainly attributable to an increase of RMB65.6 million in our bank borrowings, partially offset by the repayment of RMB61.4 million in convertible bonds.

Prepayments and other receivables, current

Our current prepayments and other receivables primarily consist of (i) prepayments for clinical services and outsourced research and development provided by the CROs, CMOs, and hospitals that we collaborate with; and (ii) deposits, which primarily include performance or security deposits for construction projects. The following table sets forth a breakdown of our current prepayments and other receivables:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Prepayments		
Prepayment for clinical research and services and outsourced research and development	9,720	3,238
Prepayment for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Prepayments to suppliers	608	203
	10,328	**6,477**
Other receivables		
Deposits	1,087	12
Others	46	68
Less: loss allowance	(77)	–
	1,056	80
Total	**11,384**	**6,557**

Our current prepayments and other receivables decreased from RMB11.4 million as of December 31, 2024 to RMB6.6 million as of December 31, 2025, primarily due to an RMB6.5 million decrease of our prepayments for clinical research and services and outsourced research and development, mainly attributable to the recognition of research and development expenses in 2025

for prepayments previously recorded as of December 31, 2024, as the related performance milestones were achieved; and which was partially offset by an increase in prepayments for other purposes resulting from prepayment for [**REDACTED**] in the amount of RMB[**REDACTED**] million.

As of April 30, 2026, RMB1.4 million or 21.3% of our prepayments and other receivables as of December 31, 2025 had been settled.

Trade and notes payables

Our trade and notes payables primarily consist of payables to (i) third-party research institutions (including CROs, CMOs, and hospitals) for clinical research and services and outsourced research and development services, (ii) raw materials and (iii) third-party service providers in connection with intellectual property advisory and logistics services.

The following table sets forth a breakdown of our trade and notes payables as of the dates indicated:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Payables for clinical research and services and outsourced research and development	39,199	37,504
Payables for raw materials	1,969	338
Payables for other purposes	669	807
Total	**41,837**	**38,649**

Our trade and notes payables decreased from RMB41.8 million as of December 31, 2024 to RMB38.6 million as of December 31, 2025, primarily due to the decrease in payables for raw materials, as the NDA stage process validation for Mufemilast for Ps, which required significant raw material procurement, was substantially completed in 2024.

As of April 30, 2026, RMB2.9 million or 7.4% of our trade and notes payables as of December 31, 2025 had been settled.

Accruals and other payables

Our accruals and other payables primarily consist of (i) payables for purchases of property, plant and equipment in relation to the construction of our Xiajiang manufacturing facilities; (ii) salaries and welfare payables comprising salaries and welfare due to our staff; (iii) payables for professional service fees, mainly comprising amounts due to professional parties we engaged for our A-Share Listing Attempt; and (iv) other taxes payables. The following table sets forth a breakdown of our accruals and other payables:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Payable for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Payables for purchases of property, plant and equipment	11,211	7,178
Salaries and welfare payables	4,699	5,609
Payables for professional service fees	680	13
Other taxes payables	464	461
Others	1,018	247
Total	**18,072**	**20,014**

Our accruals and other payables increased from RMB18.1 million as of December 31, 2024 to RMB20.0 million as of December 31, 2025, primarily due to (i) a RMB[**REDACTED**] million increase in payables for [**REDACTED**] in connection with the [**REDACTED**]; and (ii) a RMB0.9 million increase in accrued salaries and welfare, primarily attributable to general salary adjustments and the corresponding increase in year-end bonus accruals; partially offset by (iii) a RMB4.0 million decrease in payables for purchases of property, plant and equipment, primarily due to the settlement of outstanding payables for the construction of Xiajiang manufacturing facilities.

Non-Current Assets and Non-Current Liabilities

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Non-current assets		
Property, plant and equipment	156,436	149,105
Intangible assets	66	57
Right-of-use assets	10,821	9,915
Prepayments and other receivables	28,747	13,855
Term deposits – non current	93,075	30,575
Total non-current assets	**289,145**	**203,507**
Non-current liabilities		
Deferred income	9,591	9,529
Lease liabilities	511	13
Total non-current liabilities	**10,102**	**9,542**

Property, plant and equipment

Our property, plant and equipment primarily include our production facilities and office buildings in Xiajiang and Ganzhou. The carrying amount of our property, plant and equipment was RMB156.4 million and RMB149.1 million as of December 31, 2024 and 2025, respectively. The change in the carrying amount of our property, plant and equipment was primarily due to depreciation, partially offset by additions of machinery and equipment at Xiajiang and Ganzhou for research and production purposes.

Right-of-use assets

Our right-of-use assets primarily include our land use rights in Xiajiang, Ganzhou and Anhui and property leases in Tianjin. Our right-of-use assets decreased from RMB10.8 million as of December 31, 2024 to RMB9.9 million as of December 31, 2025, primarily due to depreciation of right-of-use assets and amortization of land use rights.

Prepayments and other receivables, non-current

Our non-current prepayments and other receivables primarily consist of prepayments for VAT in relation to our purchases of non-current assets, raw materials and research services.

The following table sets forth a breakdown of our non-current prepayments and other receivables as of the dates indicated:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Value added tax recoverable	26,589	11,847
Prepayments for suppliers	471	321
Deposits	1,687	1,687
Total	**28,747**	**13,855**

Our non-current prepayments and other receivables decreased from RMB28.7 million as of December 31, 2024 to RMB13.9 million as of December 31, 2025, primarily due to a RMB14.7 million decrease in value added tax recoverable and refunds.

Term deposits

Our term deposits consisted of our term deposits at commercial banks. Our term deposits increased from RMB93.1 million as of December 31, 2024 to RMB95.5 million as of December 31, 2025, primarily due to an increase in the provision of interest income. See Note 18 of the Accountants' Report included in Appendix I to this document.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity consist of cash and cash equivalents, which we have historically generated primarily through equity financing and borrowings. We expect that our cash needs in the near future will primarily relate to progressing the development of our drug candidates towards receiving regulatory approval and commencing commercialization, as well as expanding our drug candidate portfolio. Our management closely monitors the uses of cash and cash equivalents and strives to maintain a healthy liquidity for our operations.

Going forward, we believe that our liquidity requirements will be satisfied by a combination of existing cash and cash equivalents, term deposits, borrowings, [**REDACTED**] from the [**REDACTED**], as well as revenue generated from sales of our successfully commercialized drug products. With the continuing expansion of our business, we may require further funding through [**REDACTED**], debt financing, collaboration arrangements, licensing arrangements or other sources.

Working Capital Confirmation

Our Directors are of the opinion that, taking into account the following financial resources available to us, including the cash and cash equivalents on hand, anticipated cash inflow from unutilized bank facilities and the estimated [**REDACTED**] from the [**REDACTED**], we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, general and administrative expenses, and selling and marketing expenses, for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, capital expenditures and lease payments including related interests. We estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] million in the [**REDACTED**], at an [**REDACTED**] of HK$[**REDACTED**] per Share. Assuming the average cash burn rate going forward is 1.5 times the cash burn rate in 2025, we estimate that our cash and cash equivalents and term deposit as of April 30, 2026 will be able to maintain our financial viability for approximately 10.4 months from April 30, 2026 , without taking into account the estimated [**REDACTED**] from the [**REDACTED**], or, we estimate we will be able to maintain our financial viability for approximately 77.0 months from April 30, 2026 , if we take into account the estimated [**REDACTED**] from the [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing at least six months after the completion of the [**REDACTED**].

Cash Flows

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

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Net cash used in operating activities	(91,258)	(81,203)
Net cash generated from/(used in) investing activities	83,888	(9,236)

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Net cash generated from/(used in) financing activities	111,475	(1,958)
Net increase/(decrease) in cash and cash equivalents	**104,105**	**(92,397)**
Cash and cash equivalents at the beginning of the year	45,717	149,797
Effects of exchange rate changes on cash and cash equivalents_	(25)	(8)
Cash and cash equivalents at the end of the year	**149,797**	**57,392**

Net Cash Flows Used in Operating Activities

During the Track Record Period, we incurred negative cash flows from our operations. Most of our operating cash outflows resulted from our research and development expenses and general and administrative expenses.

In 2025, we had net cash used in operating activities of RMB81.2 million. This amount represented our loss before income tax of RMB129.8 million, adjusted for non-cash and non-operating items, primarily: (i) depreciation of property, plant and equipment of RMB13.0 million; (ii) share-based payment expenses of RMB9.9 million; (iii) interest expenses of RMB3.4 million; and (iv) interest income from term deposit of RMB2.5 million. The amount was further adjusted by (i) a RMB19.3 million increase in prepayment and other receivables; (ii) a RMB7.8 million increase in accruals and other payables; (iii) a RMB3.2 million decrease in trade and notes payables.

In 2024, we had net cash used in operating activities of RMB91.3 million. This amount represented our loss before income tax of RMB123.4 million, adjusted for non-cash and non-operating items, primarily: (i) depreciation of property, plant and equipment of RMB13.5 million; (ii) interest income from term deposit of RMB4.0 million; (iii) interest expenses of RMB3.8 million; and (iv) share-based payment expenses of RMB11.6 million. The amount was further adjusted by (i) an RMB3.3 million decrease in prepayment and other receivable, primarily due to return in VAT refunds; (ii) an RMB 2.8 million increase in trade and note payable; and (iii) an RMB0.6 million decrease in accruals and other payables, primarily due to a decrease in our payables for professional service fees after we ended our A-Share Listing Attempt.

We plan to improve our net operating cash outflow position by implementing the following measures:

- Advancing the commercialization of our Core Products and other pipeline products after obtaining the relevant regulatory approvals. After the commercialization of our products, we expect to generate more cash from our operating activities. As we optimize our product portfolio and cost structure, increase sales, and continue to grow our business, we expect to generate steady cash inflows from operations in the foreseeable future; and

- Effectively controlling our cost and operating expenses, for example setting up a comprehensive budget management system covering all types of costs and expenses incurred in our daily operations, and strictly managing our budgets at the project and business department levels.

Net Cash Flows Used in/Generated from Investing Activities

In 2025, we had net cash used in investing activities of RMB9.2 million, primarily attributable to the payments for property, plant and equipment of RMB10.5 million.

In 2024, we had net cash generated from investing activities of RMB83.9 million, primarily attributable to the collection of principal and interests from term deposits with maturities over one year of RMB94.3 million, as we reduced our investments in term deposits, partially offset by

payments for property, plant and equipment of RMB10.7 million, primarily due to purchases for the construction of Xiajiang manufacturing facility and purchases for and construction costs incurred in relation to the Anhui manufacturing facility.

Net Cash Flows Generated from/Used in Financing Activities

In 2025, we had net cash used in financing activities of RMB2.0 million, primarily attributable to (i) repayment of bank borrowings of RMB34.2 million; (ii) payment of interests on borrowings of RMB3.8 million; (iii) payment of [**REDACTED**] of RMB[**REDACTED**] million; partially offset by proceeds from bank borrowings of RMB38.7 million.

In 2024, we had net cash generated from financing activities of RMB111.5 million, primarily attributable to (i) capital injections from shareholders of RMB118.0 million; and (ii) proceeds from bank borrowings of RMB34.2 million, partially offset by (iii) payment to a shareholder of RMB30.0 million, (iv) financial advisory fee paid of RMB5.1 million relating to our equity financing, and (v) payments of interest and principal on borrowings and lease liabilities.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Costs relating to research and development of our Core Products		
Clinical trial and contracting costs	39,782	30,250
Staff costs	18,764	15,176
Raw materials and others	12,183	8,262
Subtotal	70,729	53,688
Costs relating to research and development of our other drug candidates		
Clinical trial and contracting costs	11,550	10,971
Staff costs	7,087	9,414
Raw materials and others	2,342	3,832
Subtotal	20,979	24,217
Workforce employment cost[(1)]	11,145	13,423
Total	**102,853**	**91,328**

(1) Workforce employment costs represent total non-research and development personnel costs, mainly including salaries and benefits.

INDEBTEDNESS

During the Track Record Period, our indebtedness included current and non-current borrowings and lease liabilities. As of April 30, 2026, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB104.9 million.

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,		As of April 30,
	2024	2025	2026
		(RMB in thousands)	
			(unaudited)
Current			
Borrowings	96,325	100,108	104,307
Lease liabilities	489	572	578
	96,814	100,680	104,885
Non-current			
Borrowings	–	–	–
Lease liabilities	511	13	13
Total	**97,325**	**100,693**	**104,898**

Borrowings

The following table sets forth a breakdown of our current and non-current borrowings as of the dates indicated:

	As of December 31,		As of April 30,
	2024	2025	2026
		(RMB in thousands)	
			(unaudited)
Non-current			
Convertiable bonds	–	–	–
Long-term borrowing	–	–	–
Current			
Short-term bank borrowings	34,176	38,667	104,307
Convertible bonds	62,149	61,441	–
Total	**96,325**	**100,108**	**104,307**

Current portion

As of December 31, 2025, our current short-term bank borrowings increased from RMB34.2 million as of December 31, 2024 to RMB38.7 million, as we repaid certain bank borrowings in 2025. In addition, our convertible bonds decreased to RMB61.4 million, primarily due to the reduction in the interest rate on bonds payable since March 2025, and the partial offsetting of interest expenses by service fees related to the renewal of convertible bonds in the first half of 2025. For further details, see "History, Development and Corporate Structure" and note 20 of the Accountant's Report in Appendix I to this document.

As of April 30, 2026, our current borrowings increased to RMB104.3 million from RMB100.1 million as of December 31, 2025. This increase was primarily due to an increase of RMB65.6 million in our bank borrowings, partially offset by the repayment of RMB61.4 million in convertible bonds.

As of April 30, 2026, our total credit facilities from banks amounted to RMB509.5 million, of which RMB405.2 million remained undrawn. As of April 30, 2026, our committed credit facilities from banks amounted to RMB509.5 million, of which RMB104.3 million has been used and RMB405.2 million remained unulitized.

Non-current portion

Our non-current borrowings remained nil as of December 31, 2024 and 2025 and April 30, 2026.

Lease Liabilities

Our current and non-current lease liabilities were in relation to our leases of properties in our operations. Our lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

Our current lease liabilities increased from RMB0.5 million as of December 31, 2024 to RMB0.6 million as of December 31, 2025, while our non-current lease liabilities decreased from RMB0.5 million as of December 31, 2024 to RMB0.01 million as of December 31, 2025, primarily due to our payment of rent for our leased properties and the reclassification of the remaining lease liabilities as current liabilities. As of April 30, 2026, our non-current lease liabilities remained stable at RMB0.01 million. Our current lease liabilities remained stable as of December 31, 2025 and April 30, 2026.

Contingent Liabilities

As of December 31, 2024 and 2025 and the Latest Practicable Date, we did not have any material contingent liabilities.

Except as disclosed above, as of the Latest Practicable Date, we did not have any material mortgages, charges, debentures, loan capital issued and outstanding or agreed to be issued, debt securities, loans, unutilized bank facilities, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Save for the repayment of Convertible Bonds, our Directors confirm that there has not been any material change in our indebtedness since April 30, 2026 and as of the Latest Practicable Date. Our Directors confirm that as of the Latest Practicable Date, there was no covenant on any of our outstanding debt that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors confirm that we had no defaults on our borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

CAPITAL EXPENDITURES

Our capital expenditures include: (i) payments for property, plant and equipment, including construction of production facilities and purchases of equipment; and (ii) payments for land use rights. The following table sets forth our capital expenditures for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Payments for property, plant and equipment	10,693	10,455
Payments for land use rights	–	–
Total	**10,693**	**10,455**

We expect to incur capital expenditures in the next five years primarily for construction of our manufacturing facilities in China, as part of our commercialization efforts. See "Future Plans and [**REDACTED**]" for more details. We plan to fund our planned capital expenditures mainly through our cash balances, [**REDACTED**] from the [**REDACTED**], and borrowings. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

We have capital commitments primarily in relation to (i) manufacturing facilities and equipment, and (ii) certain capital expenditures contracted for but not yet incurred. The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Property, plant and equipment	2,624	2,236

KEY FINANCIAL RATIOS

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

	As of December 31,	
	2024	2025
Gearing ratio[(1)]	21.6%	30.3%
Current ratio[(2)]	1.0	0.8

(1) Gearing ratio equals total debts, comprising current and non-current borrowings and lease liabilities, divided by total assets as of the end of the years/periods indicated.

(2) Current ratio equals total current assets divided by total current liabilities as of the end of the years/periods indicated.

Gearing Ratio

Our gearing ratio increased from 21.6% as of December 31, 2024 to 30.3% as of December 31, 2025.

Current Ratio

Our current ratio was 1.0 times as of December 31, 2024. Our current ratio decreased to 0.8 times as of December 31, 2025, primarily due to current liabilities exceeding current assets as of such date.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified property valuer, valued our property interests of Xiajiang Hemay as of April 30, 2026 at RMB93.6 million. Details of the valuation are summarized in Appendix III to this document. The following table sets out the reconciliation between the net book value of the property as of December 31, 2025 and the property valuation report as set out in Appendix III to this document as of April 30, 2026:

	RMB'000
Net book value of the property as of December 31, 2025	87,958
Less: Depreciation for the four months ended April 30, 2026	1,749
Net book value of the property as of April 30, 2026	86,209
Net valuation surplus as of April 30, 2026	6,191
Market value of the property as of April 30, 2026 as set forth in the property valuation report in Appendix III to this document	92,400

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, aside from our capital commitments as disclosed above, we had not entered into any off-balance sheet arrangements.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, such as market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk, as set out below. We regularly monitor our exposure to these risks and as of the Latest Practicable Date, did not hedge or consider necessary to hedge any of these risks. See Note 4 to this Appendix I to this document for details.

DIVIDENDS

We did not declare or pay any dividends during the Track Record Period and up to the Latest Practicable Date. Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisor, members of our Group incorporated in the PRC cannot pay dividends if such companies are in an accumulated loss position.

We currently do not have any dividend policy or fixed dividend pay-out ratio. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. [**REDACTED**] should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we did not have any distributable reserves.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the [**REDACTED**] of the Shares on the Stock Exchange.

[REDACTED]

Our [**REDACTED**] represent professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] Share, being the mid-point of the indicative [**REDACTED**] range, and no exercise of the [**REDACTED**], we estimate that our [**REDACTED**] will be approximately RMB[**REDACTED**] million, accounting for approximately [**REDACTED**]% of our gross [**REDACTED**]. Our estimated [**REDACTED**] mainly comprise (i) RMB[**REDACTED**] million of [**REDACTED**] related expenses (including but not limited to commissions and fees) and (ii) RMB[**REDACTED**] million of [**REDACTED**] expenses, including RMB[**REDACTED**] million of sponsor fees, RMB[**REDACTED**] million of fees and expenses of legal advisors, RMB[**REDACTED**] million of fees and expenses of the Reporting Accountant, and RMB[**REDACTED**] million of other fees and expenses. During the Track Record Period, we incurred [**REDACTED**] of RMB[**REDACTED**] million, which was charged to our consolidated statements of comprehensive income. We expect to incur additional [**REDACTED**] of approximately RMB[**REDACTED**] million after the Track Record Period, approximately RMB[**REDACTED**] million of which is expected to be charged to our consolidated statements of comprehensive income, and approximately RMB[**REDACTED**] million of which is attributable to the [**REDACTED**] of Shares and will be deducted from equity upon the completion of the [**REDACTED**]. The [**REDACTED**] above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details.

FUTURE PLANS

For a detailed description of our future plans, see "Business — Our Strategies" in this document.

[REDACTED]

We estimate that the [**REDACTED**] from this [**REDACTED**] will be approximately HK$[**REDACTED**] million after deducting [**REDACTED**] and estimated [**REDACTED**], paid and payable by us in the [**REDACTED**] taking into account any additional discretionary [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range of HK$[**REDACTED**] per Share to HK$[**REDACTED**] per Share. We intend to use the [**REDACTED**] we will receive from this [**REDACTED**] for the following purposes:

Allocation		Details
1. Mufemilast (Core Product) — R&D and Commercialization		Approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be used for the research and development and commercialization of our Core Product, Mufemilast, including:
(a) BD Clinical Trials Approximately [**REDACTED**]% or HK$[**REDACTED**] million	or	of which, (i) approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used to fund the Phase III clinical trial in China, which is expected to be completed by the end of 2026, and (ii) approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used to fund the Phase III clinical trial in the United States, which is expected to commence in 2026 and complete by 2029.
(b) UC Clinical Trials Approximately [**REDACTED**]% or HK$[**REDACTED**] million	or	to be used to fund the Phase III clinical trial in China, which is expected to complete by end of 2029.
(c) COPD Clinical Trials Approximately [**REDACTED**]% or HK$[**REDACTED**] million	or	of which, (i) approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used to fund the Phase II clinical trial in China, which is expected to complete by the end of 2027, and (ii) approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used to fund the Phase III clinical trial in China, which is expected to commence by the end of 2027.
(d) CD Clinical Trial Approximately [**REDACTED**]% or HK$[**REDACTED**] million	or	to be used to fund the Phase II clinical trial in China, which is expected to commence in 2026 and complete by the end of 2028.
(e) Mufemilast Commercialization Approximately [**REDACTED**]% or HK$[**REDACTED**] million	or	of which: **(i) Manufacturing Capacity:** approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used for the purchase and installation of production equipment for the Xiajiang Manufacturing Facility dedicated to Mufemilast API manufacturing, increasing the annual production capacity of Mufemilast API; **(ii) Team Building:** approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used for building dedicated teams for sales, business development, chemistry, manufacturing and controls (CMC), and quality management. We plan to expand our internal sales team in China within one year after product launch; and

Allocation		Details
		(iii) Market Access & Sales: approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used for expanding sales channels, which include building our direct sales network as well as collaborating with contract sales organizations, and support initial overseas market access through regional agents or direct collaborations with local hospitals. See "Business — Our Clinical-Stage Drug Candidate — Mufemilast — Commercialization" for details.
2. Hemay022 (Core Product) — R&D and Commercialization Approximately [**REDACTED**]%, or HK$[**REDACTED**] million to be used for the research and development and commercialization of Hemay022 for BC:		
(a) Clinical Trial Approximately [**REDACTED**]% or HK$[**REDACTED**] million		to be used to fund the Phase III clinical trial in China through, which is expected to complete by the end of 2027.
(b) Commercialization Approximately [**REDACTED**]%, or HK$[**REDACTED**] million		to be used to fund the NDA registration filings and other regulatory submissions; purchasing and upgrading production equipment; building sales, business development, CMC, and quality management teams; and expanding sales channels and overseas markets.
3. Hemay181 (Key Product) — R&D Approximately [**REDACTED**]% or HK$[**REDACTED**] million		of which, (i) approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used to fund the Phase II clinical trial in China, which is expected to complete by the end of 2027, (ii) approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used to fund the Phase II clinical trial in the United States, which is expected to commence in 2026 and complete by 2029; and (iii) approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used to fund the Phase III clinical trial in the United States, which is expected to commence in 2029.
4. Other Pipeline Products — R&D Approximately [**REDACTED**]% or HK$[**REDACTED**] million will be used to (i) approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used to fund the Phase IIb clinical trial of Hemay808 in China, which is expected to commence in the second half of 2026, pending receipt of [**REDACTED**] from the [**REDACTED**]; (ii) approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used to fund the Phase I clinical trial of Hemay5087 in China, which is expected to commence in 2027; and (iii) approximately [**REDACTED**]% or HK$[**REDACTED**] million to be used to fund the Phase II clinical trial of Hemay5087 in China.		
5. General Corporate & Working Capital: approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for our general corporate and working capital purposes		

Notes:

- We pursue an adaptive clinical development strategy for Mufemilast, Hemay022 and Hemay181, which means we may periodically evaluate and adjust our priorities and allocation of funds for different indications based on trial results, regulatory feedback, and development progress. As such, the specific allocation of [**REDACTED**] described above is subject to adjustments depending on future developments and strategic considerations.
- In respect of all [**REDACTED**] on clinical trials, the [**REDACTED**] will be used for the costs of raw materials and consumables used in clinical trials, salaries of the clinical trial team, expenses for patient enrollment, and engagement of external consultants.
- Total estimated R&D expense refers to the total expected expense attributable to such clinical trials between the period from 2025 to completion.
- For any deficit between the total estimated R&D expense and the [**REDACTED**] amount allocated, we intend to seek equity financing or cooperation with external partners.

- More funds have been allocated to Hemay181 than to Hemay022, primarily because Hemay022 has already entered Phase III clinical trials, while Hemay181 is still in Phase I. It is expected that the funds required for the upcoming Phase I or Phase II clinical trials of Hemay181 will exceed the amount needed for Hemay022 to complete its Phase III clinical trial. See "Business — Our Product Pipeline — Our Clinical-Stage Candidates" for details of our clinical development plan for Hemay181.

If the [**REDACTED**] is exercised in full, the [**REDACTED**] of the [**REDACTED**] would increase to approximately HK$[**REDACTED**] million (based on the mid-point [**REDACTED**] of HK$[**REDACTED**] per Share). We intend to apply the additional [**REDACTED**] to the above uses in the proportions stated above.

The allocation of the [**REDACTED**] used for the above will be adjusted in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the estimated [**REDACTED**] range. If the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share, being the high end of the stated [**REDACTED**] range, our [**REDACTED**] will (i) assuming the [**REDACTED**] is not exercised, be increased by approximately HK$[**REDACTED**] million, or (ii) assuming the [**REDACTED**] is exercised in full, be increased by approximately HK$[**REDACTED**] million. In such circumstances, we currently intend to use such additional [**REDACTED**] to increase the [**REDACTED**] applied for the same purposes as set out above on a pro rata basis. If the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share, being the low end of the stated [**REDACTED**] Share range, our [**REDACTED**] will (i) assuming the [**REDACTED**] is not exercised, be decreased by approximately HK$[**REDACTED**] million, or (ii) assuming the [**REDACTED**] is exercised in full, be decreased by approximately HK$[**REDACTED**] million. In such circumstances, we currently intend to reduce the [**REDACTED**] applied for the same purposes as set out above on a pro rata basis.

To the extent that our [**REDACTED**] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations and borrowings.

If the [**REDACTED**] are not immediately applied to the above purposes, we will only deposit those [**REDACTED**] into 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 make an appropriate announcement if there is any change to the above proposed [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-[1] to I-[3], received from the Company's reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[To insert the firm's letterhead] *[Draft]*

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GANZHOU HEMAY PHARMACEUTICAL CO., LTD. AND SDIC SECURITIES CORPORATE FINANCE (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Ganzhou Hemay Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[4] to I-[45], which comprises the consolidated statements of financial position as at 31 December 2024 and 2025, the statements of financial position of the Company as at 31 December 2024 and 2025, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2024 and 2025 (the "Track Record Period") 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-[45] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the [**REDACTED**] of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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, *Accountant's Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2024 and 2025 and the consolidated financial position of the Group as at 31 December 2024 and 2025, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to Note 23 to the Historical Financial Information which states that no dividends have been paid by Ganzhou Hemay Pharmaceutical Co., Ltd. in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[*Date*]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by [PricewaterhouseCoopers] in accordance with International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board ("IAASB") (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 COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2024	2025
		RMB'000	*RMB'000*
Other income	*6*	5,298	5,799
Selling and marketing expenses	*7*	(818)	(989)
General and administrative expenses	*7*	(33,304)	(45,978)
Research and development expenses	*7*	(96,987)	(90,275)
Other gains – net	*8*	3,963	2,414
Operating loss		(121,848)	(129,029)
Finance income	*9*	263	550
Finance costs	*9*	(1,808)	(1,327)
Finance costs – net		(1,545)	(777)
Loss before income tax		(123,393)	(129,806)
Income tax expense	*11*	–	–
Loss for the year		(123,393)	(129,806)
Loss for the year attributable to:			
Owners of the Company		(123,393)	(129,806)
Non-controlling interests		–	–
		(123,393)	(129,806)
Loss for the year		(123,393)	(129,806)
Currency translation differences		(98)	(68)
Total comprehensive loss for the year		(123,491)	(129,874)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(123,491)	(129,874)
Non-controlling interests		–	–
		(123,491)	(129,874)
Loss per share attributable to the owners of the Company (in RMB)			
Basic and diluted loss per share	*12*	(0.32)	(0.33)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2024	As at 31 December 2025
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*13*	156,436	149,105
Intangible assets	*15*	66	57
Right-of-use assets	*14*	10,821	9,915
Prepayments and other receivables	*17*	28,747	13,855
Term deposits – non current	*18*	93,075	30,575
		289,145	203,507
Current assets			
Prepayments and other receivables	*17*	11,384	6,557
Term deposits – current	*18*	–	64,954
Cash and cash equivalents	*19*	149,797	57,392
		161,181	128,903
Total assets		450,326	332,410
Liabilities			
Non-current liabilities			
Deferred income	*22*	9,591	9,529
Lease liabilities	*21*	511	13
		10,102	9,542
Current liabilities			
Trade and notes payables	*24*	41,837	38,649
Accruals and other payables	*25*	18,072	20,014
Borrowings	*20*	96,325	100,108
Lease liabilities	*21*	489	572
		156,723	159,343
Total liabilities		166,825	168,885
Equity			
Equity attributable to owners of the Company			
Share capital	*26*	396,847	396,847
Reserves and accumulated losses	*27*	(113,346)	(233,322)
Total equity		283,501	163,525
Total equity and liabilities		450,326	332,410
Net current assets/(liabilities)		4,458	(30,440)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2024	As at 31 December 2025
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*13*	40,710	38,600
Right-of-use assets		2,194	2,145
Investment in subsidiaries	*33*	533,449	536,441
Prepayments and other receivables		20,012	4,420
Term deposits – non current	*18*	54,092	10,192
		650,457	591,798
Current assets			
Amounts due from subsidiaries	*34*	289,603	293,594
Prepayments and other receivables		4,228	6,102
Cash and cash equivalents		20,753	23,914
		314,584	323,610
Total assets		965,041	915,408
Liabilities			
Non-current liabilities			
Deferred income		8,424	8,424
Current liabilities			
Trade and notes payables	*24*	26,953	24,577
Accruals and other payables		4,198	10,858
Amounts due to subsidiaries	*34*	10,000	10,007
Borrowings		29,746	36,438
		70,897	81,880
Total liabilities		79,321	90,304
Equity			
Equity attributable to owners of the Company			
Share capital	*26*	396,847	396,847
Reserves and accumulated losses	*27*	488,873	428,257
Total equity		885,720	825,104
Total equity and liabilities		965,041	915,408

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Owners of the Company				
	Share capital	Reserves	Accumulated losses	Total	Total equity
	RMB'000 (Note 26)	*RMB'000 (Note 27)*	*RMB'000 (Note 27)*	*RMB'000*	*RMB'000*
Balance at 1 January 2024	384,895	478,807	(583,561)	280,141	280,141
Loss for the year	–	–	(123,393)	(123,393)	(123,393)
Issuance of shares (*Note 26*)	11,952	103,274	–	115,226	115,226
Share-based payment expenses (*Note 28*)	–	11,625	–	11,625	11,625
Currency translation differences on translation of foreign operations	–	(98)	–	(98)	(98)
Balance at 31 December 2024	396,847	593,608	(706,954)	283,501	283,501
Balance at 1 January 2025	396,847	593,608	(706,954)	283,501	283,501
Loss for the year	–	–	(129,806)	(129,806)	(129,806)
Share-based payment expenses (*Note 28*)	–	9,898	–	9,898	9,898
Currency translation differences on translation of foreign operations	–	(68)	–	(68)	(68)
Balance at 31 December 2025	396,847	603,438	(836,760)	163,525	163,525

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2024	Year ended 31 December 2025
		RMB'000	*RMB'000*
Cash flows from operating activities			
Cash used in operations	*29(i)*	(91,521)	(81,753)
Interest received	*9*	263	550
Net cash used in operating activities		(91,258)	(81,203)
Cash flows from investing activities			
Payments for property, plant and equipment		(10,693)	(10,455)
Proceeds from sales of property, plant and equipment		331	219
Received from deposits for investment commitment		–	1,000
Received from term deposits with maturities over one year		90,000	–
Interest received from term deposits with maturities over one year		4,250	–
Net cash generated from/(used in) investing activities		83,888	(9,236)
Cash flows from financing activities			
Capital injections from shareholders	*26*	118,000	–
Payment of share issuance transaction cost		(5,115)	–
Payment of [**REDACTED**]		[**REDACTED**]	[**REDACTED**]
Payment of convertible bonds service fee		–	(226)
Settlement of payable to a shareholder related to equity transaction before Track Record Period		(30,000)	–
Repayment of bank borrowings	*20*	(25)	(34,176)
Proceeds from bank borrowings	*29(ii)*	34,176	38,667
Payment of interests on borrowings		(3,560)	(3,810)
Principal payments and interest of lease liabilities	*21*	(2,001)	(483)
Payment for right-of-use assets deposits		–	(6)
Net cash generated from/(used in) financing activities		111,475	(1,958)
Net increase/(decrease) in cash and cash equivalents		104,105	(92,397)
Cash and cash equivalents at the beginning of the year		45,717	149,797
Effects of exchange rate changes on cash and cash equivalents		(25)	(8)
Cash and cash equivalents at the end of the year	*19*	149,797	57,392

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

1.1 General information

Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業股份有限公司) (the "Company") was incorporated as a limited liability company in Ganzhou city, Jiangxi province of the People's Republic of China (the "PRC") on 3 April, 2019. The address of its registered office and headquarters of the Company is west section of Green Source Avenue West District, Hi-tech Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province, Chinese mainland.

On 15 March 2023, the Company completed the conversion from a limited liability company into a joint stock company with limited liability in Chinese mainland and changed its name from Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業有限公司) to Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業股份有限公司).

As of 31 December 2025, Dr. Zhang Hesheng and Ms. Guo Xuemei, collectively hold approximately 46.51% shares interest of the Company, together with entities controlled by them are the controlling shareholders of the Company.

The Company and its subsidiaries (together, the "Group") are biopharmaceutical companies dedicated to the discovery and development of small-molecule drugs of autoimmune diseases and oncology.

The Historical Financial Information are presented in Renminbi ("RMB") thousands, unless otherwise stated.

2 BASIS OF PREPARATION

The material accounting policies applied in the preparation of the Historical Financial Information are set out in Note 2 and 3 and Note 35.1 to 35.10 below, other accounting policies are set in Note 35.11.

2.1 Basis of preparation

(i) Compliance with IFRS Accounting Standards

The Historical Financial Information of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

(ii) Accounting policies

The accounting policies applied in the preparation of the Historical Financial Information has been consistently applied to all the years presented, unless otherwise stated.

(iii) Going concern basis

The Historical Financial Information of the Group has been prepared on a going concern basis. The Group is in the development stage for certain drug candidates and has one drug candidate ready for commercialisation. During the year ended 31 December 2025, the Group incurred a net loss of RMB129,806,000 and net operating cash outflow of RMB81,203,000.

In view of such circumstance, the directors of the Company have carefully considered the Group's available sources of financing and its operating performance in assessing whether the Group will have sufficient financial sources to continue as a going concern for at least the next twelve months from 31 December 2025. The following plans and measures have been implemented to mitigate the liquidity pressure and to improve the financial position of the Group:

(a) The Group has been actively obtaining bank loan facilities to secure source of financing. As of 31 December 2025, the Group had total unutilised bank facilities of approximately RMB470,833,000. Based on the previous experiences with the relevant banks, the directors of the Company are confident that the Group will be able to draw down from these facilities when and as needed.

(b) Depending on the availability of funds, management will dynamically adjust the execution schedule of R&D activities and the corresponding expenditures.

The directors of the Company has reviewed management's cash flow projections covering not less than twelve months from 31 December 2025. Based on the Group's historical performance and management's operating and financing plans, the directors of the Company believe the cash and cash equivalents on hand, and anticipated cash inflow from unutilised banks facilities are sufficient to meet the cash requirements to fund the Group's planned operations, capital expenditures and other obligations for at least the next twelve months after 31 December 2025. Therefore, the Historical Financial Information have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

2.2 Historical cost convention

The Historical Financial Information have been prepared on a historical cost basis, except for the certain financial assets and liabilities (including derivative instruments) that are measured at fair value.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

3 ACCOUNTING POLICIES

(a) New standards, amendments to standards and interpretations

In preparation of the Historical Financial Information, all of the new standards, amendments to standards and interpretations that are effective during the Track Record Period have been adopted by the Group and consistently applied throughout the Track Record Period.

(b) New and amended standards and interpretations not yet effective and not been early adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the financial years during the Track Record Period and have not been early adopted by the Group. These new standards and interpretations are:

Standards	Key requirements	Effective for accounting periods beginning on or after
Amendments to IFRS 9 and IFRS 7 .	Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7 .	Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual improvements to IFRS	Annual Improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendment to illustrative Examples on IFRS7, IFRS 8, IAS1, IAS8, IAS36, IAS37	Disclosure about Uncertainties in the financial statements	1 January 2027
Amendments to IFRS 10 and IAS 28 .	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new and amended standards and has concluded on a preliminary basis that adoption of these new and amended standards is not expected to have significant impacts on the financial performance and positions of the Group when they become effective, except for IFRS 18, which will mainly impact the presentation of statements of comprehensive income.

IFRS 18 will replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

Impact on disclosures:

The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required:

– for the first annual period of application of IFRS 18, a reconciliation for each line item in the income statement between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective group entities' functional currency. The Group mainly operates in Chinese mainland with most of the transactions settled in RMB. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group is not exposed to foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the functional currency.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and liabilities, except for lease liabilities (Note 21), cash and cash equivalents (Note 19), term deposits (Note 18) and borrowings (Note 20). Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

The Group's interest rate risk mainly arises from borrowings. As at 31 December 2024 and 2025, all the Group's borrowings were carried at fixed rates, which exposed the Group to fair value interest rate risk.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of term deposits, and cash at bank are not expected to change significantly.

(b) Credit risk

The Group is exposed to credit risk in relation to receivables, cash and cash equivalents and term deposits. The carrying amounts of receivables, cash and cash equivalents, and term deposits represent our maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and term deposits since they are substantially deposited at or purchased from state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties and the loss allowance provision is considered immaterial.

Management has assessed that during the years ended 31 December 2024 and 2025, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. As at 31 December 2024 and 2025, other receivables mainly comprise deposits. The Group expects that there is no significant credit risk associated with other receivables since the counterparties have no history of default. Accordingly, the expected credit loss of other receivables is considered immaterial.

The loss allowances for other receivables as at the end of the years reconcile to the opening loss allowances as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Opening loss allowance at the beginning of the year	77	77
Write-off	–	(77)
Closing loss allowance at the end of the year	77	–

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the ability to apply for credit facilities if necessary. The Group finances its working capital requirements through issue of new shares and borrowings.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	Carrying amount liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2024					
Borrowings, including interest payable *(Note 20)*	97,339	–	–	97,339	96,325
Trade and notes payables *(Note 24)*	41,837	–	–	41,837	41,837
Accruals and other payables (excluding salaries and welfare payables and other tax payables) *(Note 25)*	12,909	–	–	12,909	12,909
Lease liabilities *(Note 21)*	521	521	–	1,042	1,000
Total	152,606	521	–	153,127	152,071

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	Carrying amount liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2025					
Borrowings, including interest payable *(Note 20)*	101,296	–	–	101,296	100,108
Trade and notes payables *(Note 24)*	38,649	–	–	38,649	38,649
Accruals and other payables (excluding salaries and welfare payables and other tax payables) *(Note 25)*	13,944	–	–	13,944	13,944
Lease liabilities *(Note 21)*	582	13	–	595	585
Total	154,471	13	–	154,484	153,286

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares. In the opinion of the management of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

As at 31 December 2024 and 2025, the gearing ratios were as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Total debts	97,325	100,693
Total assets	450,326	332,410
Gearing ratio	21.61%	30.29%

Gearing ratio equals total debts, comprising current borrowings and current and non-current lease liabilities, divided by total assets as at the years ended.

4.3 Fair value estimation

(a) This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards:

Level 1: The fair values of financial instruments traded in active markets (such as trading and available-for-sale securities) are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the current bid price.

Level 2: The fair values of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The following table summaries the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Fair value		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	As at 31 December			As at 31 December		
	2024	2025		2024	2025	
Description						
Term deposits	93,075	95,529	Expected rate of return	1.90%-3.10%	1.90%-3.10%	The higher the expected rate of return, the higher the fair value

Key assumption used in the valuation of the fair value of term deposits is expected rate of return. The Group performed sensitivity analysis on expected rate of return for the years ended 31 December 2024 and 2025. If the expected rate of return had increased or decreased by 10% with all other variables held constant, the fair value of term deposits would have been increased or decreased by approximately RMB 308,000 and RMB 553,000 as of 31 December 2024 and 2025.

The following table presents the changes in level 3 instruments for the years ended 31 December 2024 and 2025.

	Financial assets at FVOCI Year ended 31 December 2024	Financial assets at FVOCI Year ended 31 December 2025
	RMB'000	*RMB'000*
Opening balance	183,372	93,075
Accrued interest income	3,953	2,454
Proceeds received	(4,250)	–
Disposed financial instruments	(90,000)	–
Closing balance	93,075	95,529
Total unrealised gains recognised in profit or loss attributable to balances held at the end of the year	–	2,454

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments or discounted cash flow analysis. The Group did not have any financial assets or liabilities measured at fair value on a recurring basis, with the exception of the Group's term deposits, which are measured at fair value through other comprehensive income and which constitute level 3 measurements under the fair value hierarchy. The Group's term deposits are valued based on cash flow discounted using the expected return based on management judgement and estimates.

(c) Fair value of financial assets and liabilities measured at fair value

The Group's financial assets at fair value through other comprehensive income ("FVOCI") as at 31 December 2024 and 2025 were term deposits from banks.

(d) Fair value of financial assets that are not measured at fair value

The Group considers that the carrying amount of the Group's financial assets recorded at amortised cost in the historical financial statements approximate their fair values.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for the Group's property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charges in future periods.

(b) Deferred income tax

The Group recognises deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the years ended 31 December 2024 and 2025, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences in consideration that Company has not yet reached commercialization and the future taxable profits would be uncertain.

(c) Recoverability of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units, CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. These calculations require the use of judgments and estimates. Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. Considering there was a substantial headroom based on the assessment, the directors and management believe that a reasonably possible change in any of the key assumptions would not cause the relevant carrying amount of the CGUs to exceed its recoverable amount.

6 OTHER INCOME

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Government grants *(i)*	5,236	5,737
Amortisation of deferred income *(Note 22)*	62	62
	5,298	5,799

(i) Government grants mainly represent subsidies and assistance received from local municipal governments in connection with the Group's activities in research and development and other one-time awards.

7 EXPENSES BY NATURE

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Employee benefit expenses *(Note 10)*	37,287	38,923
Outsourced research and development costs	8,713	26,450
Clinical research and service fees	34,350	16,999
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Depreciation of property, plant and equipment *(Note 13)*	13,465	13,006
Share-based payment expenses *(Note 28)*	11,625	9,898
Raw materials and consumables used	10,964	3,618
Patent application/maintenance expenses	393	2,966
Professional service expenses	4,818	1,014
Office expenses	562	1,030
Depreciation of right-of-use assets *(Note 14)*	1,650	840
Traveling and transportation expenses	726	918
Logistic fees	395	369
Amortization of intangible assets *(Note 15)*	9	9
Others	6,152	4,669
	131,109	137,242

8 OTHER GAINS — NET

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Interest income from term deposits	3,953	2,454
Net losses on disposals of property, plant and equipment	(5)	(25)
Others	15	(15)
	3,963	2,414

9 FINANCE COSTS — NET

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Finance income		
Interest income from cash at banks	263	550
Finance costs		
Interest expenses on borrowings and convertible bonds	(3,737)	(3,328)
Less: received government subsidy related to interest	2,040	2,040
Net interest expenses on borrowings and convertible bonds	(1,697)	(1,288)
Interest expenses on lease liabilities	(86)	(31)
Net foreign exchange losses	(25)	(8)
	(1,808)	(1,327)
Finance costs – net	(1,545)	(777)

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Salaries, wages and bonuses	28,961	30,707
Pension obligations, housing funds, medical insurances and other social insurances	6,220	6,427
Other employee benefits	2,106	1,789
Share-based payment	11,625	9,898
	48,912	48,821

(a) As stipulated by rules and regulations in Chinese mainland, the Group contributes to state-sponsored retirement schemes for its employees in Chinese mainland. The Group's employees make monthly contributions to the schemes at certain percentages of the relevant income (comprising salaries, wages and bonuses), subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Employees of the Group in Chinese mainland are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries, wages and bonuses of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2024 and 2025 included 2 and 3 directors, respectively, whose emoluments are reflected in the analysis presented in Note 32.

Details of the remuneration of the remaining 3 and 2 highest paid individuals for the years ended 31 December 2024 and 2025 are as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Salaries and wages	2,310	2,224
Discretionary bonuses	380	202
Employer's contribution to pension schemes – defined contribution	93	48
Other employee benefits, allowance and benefits in kind	134	69
Share-based payment	1,661	707
	4,578	3,250

The remaining highest paid individuals fell within the following bands:

	Year ended 31 December	
	2024	2025
Emolument bands		
HKD1,500,001-HKD2,000,000	3	2

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Current income tax expense	–	–
Deferred income tax expense	–	–
	–	–

(i) Income tax expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The PRC

Xiajiang Hemay Pharmaceutical Co., Ltd. had been recognised as High and New Technology Enterprise ("HNTE") in 2025. Ganzhou Hemay Pharmaceutical Co., Ltd. had been recognised as HNTE in 2024. Tianjin Hemay Pharmaceutical Co., Ltd. renewed its status as HNTE in 2023. These entities were entitled to a reduced income tax rate of 15% for three years commencing from the first year when they were granted or renewed the HNTE status. They are required to re-apply for preferential tax treatment after the current preferential tax periods expire.

The other major operating subsidiaries of the Group in Chinese mainland are subject to enterprise income tax rate of 25% for the years ended 31 December 2024 and 2025.

United States of America

Hemay Pharmaceuticals International, Inc. was incorporated in the United States of America and has been dissolved in March 2024. The entity was subject to federal and state income tax rate of 21%.

Commonwealth of Australia

Hemay Pharmaceutical Pty. Ltd was incorporated in Australia and is subject to federal and state income tax rate of 25% for the years ended 31 December 2024 and 2025.

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to the Group as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Loss before income tax	(123,393)	(129,806)
Income tax expenses calculated at the applicable tax rates	(30,848)	(32,452)
Effect of different tax rate	8,841	10,945
Super deduction of research and development expenses	(11,397)	(8,341)
Expenses not deductible for tax purposes	42	474
Recognition of previously unrecognised temporary differences	(2,006)	(2,714)
Tax losses for which no deferred income tax asset was recognized	35,368	32,088
	–	–

The Group has operations mainly in Chinese mainland and Australia. It is within the scope of the OECD Pillar Two model rules. The Pillar Two model rules in Australia came into effect from 1 January 2025. As of the reporting date, there is no public announcement in jurisdictions including Chinese mainland. The global consolidated revenue of the Group in 2024 and 2025 did not meet the applicable revenue threshold of the Pillar Two Rule. The Group has performed an assessment of the potential exposure of the Group with respect to Pillar Two Global Anti-Base Erosion Proposal ("GloBE") Rules. The assessment is based on the most recently available financial information and financial performance. The Group has estimated that the potential exposure for the year ended 31 December 2025 is immaterial.

(ii) Tax losses

Deductible losses that are not recognized as deferred tax assets will be expired during the Track Record Period are analysed as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Expire year:		
2025	39,028	–
2026	79,211	79,211
2027	99,493	99,493
2028	156,950	156,950
2029	66,683	66,683
2030	47,571	78,781
2031	97,446	97,446
2032	101,831	101,831
2033	90,525	90,525
2034	139,820	139,820
2035	–	161,901
	918,558	1,072,641

(iii) Unrecognised temporary differences

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Unrecognised temporary differences	209,737	167,315

12 BASIC AND DILUTED AND LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2024 and 2025.

(b) Diluted loss per share

As the Group incurred losses for the reporting periods, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the reporting periods are the same as basic loss per share for the respective years.

The calculations of basic and diluted loss per shares are based on:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	(123,393)	(129,806)
Weighted average number of ordinary shares in issue *('000)*	388,958	396,847
Basic and diluted loss per share *(in RMB)*	(0.32)	(0.33)

As the Group incurred losses in the respective year, potential ordinary shares (i.e., convertible debentures issued by the subsidiary) were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive.

13 PROPERTY, PLANT AND EQUIPMENT

(i) Property, plant and equipment of the Group

	Buildings	Machinery and furniture	Electronic equipment and others	Vehicles	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024						
Cost	138,599	41,519	7,635	961	2,475	191,189
Accumulated depreciation	(11,868)	(12,932)	(3,139)	(894)	–	(28,833)
Net book amount	126,731	28,587	4,496	67	2,475	162,356
Year ended 31 December 2024						
Opening net book amount	126,731	28,587	4,496	67	2,475	162,356
Additions	17	817	156	–	6,891	7,881
Transfer from CIP	3,149	752	97	–	(3,998)	–
Disposals	–	(335)	(1)	–	–	(336)
Depreciation charge *(Note 7)*	(7,391)	(4,182)	(1,873)	(19)	–	(13,465)
Closing net book amount	122,506	25,639	2,875	48	5,368	156,436
At 31 December 2024						
Cost	141,441	42,449	7,859	961	5,368	198,078
Accumulated depreciation	(18,935)	(16,810)	(4,984)	(913)	–	(41,642)
Net book amount	122,506	25,639	2,875	48	5,368	156,436
Year ended 31 December 2025						
Opening net book amount	122,506	25,639	2,875	48	5,368	156,436
Additions	367	2,129	124	249	3,050	5,919
Transfer from CIP	–	–	117	–	(117)	–
Disposals	–	(18)	(208)	(18)	–	(244)
Depreciation charge *(Note 7)*	(7,227)	(4,108)	(1,646)	(25)	–	(13,006)
Closing net book amount	115,646	23,642	1,262	254	8,301	149,105
At 31 December 2025						
Cost	141,808	44,465	6,595	859	8,301	202,028
Accumulated depreciation	(26,162)	(20,823)	(5,333)	(605)	–	(52,923)
Net book amount	115,646	23,642	1,262	254	8,301	149,105

As at 31 December 2024, the Group pledged certain machinery and furniture, vehicles, electronic equipment and others with carrying amount of approximately RMB 4,896,000 to a guarantee company (Note 20) as a counter-guarantee for a guarantee contract entered into with this guarantee company. The guarantee has been released on 14 March 2025 (Note 20).

As at 31 December 2024 and 2025, the Group pledged certain buildings with carrying amount of approximately RMB 11,306,000 and RMB 60,237,000 for the convertible bonds of the Group (Note 20).

During the Track Record Period, the Group's long-term assets primarily comprise the formulation production line of the Company and the active pharmaceutical ingredient production line of Xiajiang Hemay Pharmaceutical Co., Ltd. ("Xiajiang Hemay"). Management has engaged an independent professional valuer to conduct impairment testing on these assets.

The Group considered property, plant and equipment and right-of-use assets (Note 14) of the Company and Xiajiang Hemay as two separate groups of cash-generating units ("CGUs"). Impairment is assessed by comparing each CGU group's recoverable amount with its carrying amount.

The recoverable amount of the aforementioned group of CGUs was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial forecast approved by management covering a 9-to-11-year period reflecting the research and development timelines and expected commercialization schedules of the various pipeline products. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

The pre-tax discount rate was estimated by using the weighted average cost of capital (WACC) method. The WACC was calculated by referring to public market data including risk-free rate, beta of comparable public companies, etc., and the specific risk of the company.

Based on the assessment results, no impairment was recognized for the CGUs as at 31 December 2024 and 2025. The recoverable amount is significantly higher than the carrying amount by several multiples, for the Company's CGUs, the multiples were 43.14 times and 58.92 times, and for Xiajiang Hemay's CGUs, the multiples were 2.76 times and 3.32 times as at 31 December 2024 and 2025.

Considering there was a substantial headroom based on the assessment, the directors and management believe that a reasonably possible change in any of the key assumptions would not cause the relevant carrying amount of the CGUs to exceed its recoverable amount.

(ii) Property, plant and equipment of the Company

	Buildings	Machinery and furniture	Electronic equipment and others	Vehicles	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024						
Cost	38,002	14,446	1,419	160	–	54,027
Accumulated depreciation	(4,519)	(4,363)	(743)	(133)	–	(9,758)
Net book amount	33,483	10,083	676	27	–	44,269
Year ended 31 December 2024						
Opening net book amount	33,483	10,083	676	27	–	44,269
Additions	–	181	37	–	–	218
Disposals	–	(178)	–	–	–	(178)
Depreciation charge	(1,808)	(1,496)	(276)	(19)	–	(3,599)
Closing net book amount	31,675	8,590	437	8	–	40,710
At 31 December 2024						
Cost	38,002	14,342	1,456	160	–	53,960
Accumulated depreciation	(6,327)	(5,752)	(1,019)	(152)	–	(13,250)
Net book amount	31,675	8,590	437	8	–	40,710
Year ended 31 December 2025						
Opening net book amount	31,675	8,590	437	8	–	40,710
Additions	27	762	29	–	690	1,508
Depreciation charge	(1,820)	(1,550)	(248)	–	–	(3,618)
Closing net book amount	29,882	7,802	218	8	690	38,600
At 31 December 2025						
Cost	38,029	15,104	1,485	160	690	55,468
Accumulated depreciation	(8,147)	(7,302)	(1,267)	(152)	–	(16,868)
Net book amount	29,882	7,802	218	8	690	38,600

14 RIGHT-OF-USE ASSETS

	Land use rights	Offices	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024			
Cost	10,397	6,884	17,281
Accumulated depreciation	(625)	(4,099)	(4,724)
Net book amount	9,772	2,785	12,557
Year ended 31 December 2024			
Opening net book amount	9,772	2,785	12,557
Depreciation charge	(210)	(1,526)	(1,736)
Closing net book amount	9,562	1,259	10,821
At 31 December 2024			
Cost	10,397	6,884	17,281
Accumulated depreciation	(835)	(5,625)	(6,460)
Net book amount	9,562	1,259	10,821
Year ended 31 December 2025			
Opening net book amount	9,562	1,259	10,821
Addition	–	37	37
Depreciation charge	(210)	(733)	(943)
Closing net book amount	9,352	563	9,915
At 31 December 2025			
Cost	10,397	2,083	12,480
Accumulated depreciation	(1,045)	(1,520)	(2,565)
Net book amount	9,352	563	9,915

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Research and development expenses	1,321	549
Administrative expenses	415	394
Less: amounts capitalised in property, plant and equipment	(86)	(103)
	1,650	840

Land use rights represent the land use rights granted by Chinese mainland government authority on the use of land within the pre-approved lease period. The original lease terms of the land use rights of the Group held in Chinese mainland are 50 years.

As at 31 December 2024 and 2025, the Group pledged certain land use rights with carrying amount of approximately RMB643,000 and RMB2,297,000 for the convertible bonds of Group (Note 20).

15 INTANGIBLE ASSETS

	Software
	RMB'000
At 1 January 2024	
Cost	90
Accumulated amortisation	(15)
Net book amount	75
Year ended 31 December 2024	
Opening net book amount	75
Amortisation charge	(9)
Closing net book amount	66
At 31 December 2024	
Cost	90
Accumulated amortisation	(24)
Net book amount	66
Year ended 31 December 2025	
Opening net book amount	66
Amortisation charge	(9)
Closing net book amount	57
At 31 December 2025	
Cost	90
Accumulated amortisation	(33)
Net book amount	57

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Financial assets at amortised cost		
Cash and cash equivalents	149,797	57,392
Prepayment and other receivables (excluding prepayments and value added tax recoverable)	2,743	1,767
	152,540	59,159

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Financial assets at FVOCI		
Term deposits	93,075	95,529

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Financial liabilities at amortised cost		
Borrowings	96,325	100,108
Trade and notes payables	41,837	38,649
Accruals and other payables (excluding salaries and welfare payables and other tax payables)	12,909	13,944
Lease liabilities	1,000	585
	152,071	153,286

17 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Non-current		
Value added tax recoverable	26,589	11,847
Deposits	1,687	1,687
Prepayment to suppliers	471	321
	28,747	13,855
Current		
Prepayment for clinical research and services and outsourced research and development	9,720	3,238
Prepayment for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Prepayment to suppliers	608	203
Deposits	1,087	12
Others	46	68
Less: loss allowance	(77)	–
	11,384	6,557
	40,131	20,412

As at 31 December 2024 and 2025, the carrying amounts of other receivables were denominated in RMB and approximated their fair values.

18 TERM DEPOSITS

(i) Term Deposits of the Group

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Term deposits in RMB – current	–	64,954
Term deposits in RMB – non-current	93,075	30,575
	93,075	95,529

(ii) Term Deposits of the Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Term deposits in RMB	54,092	10,192

(a) Term deposits held by the Group as at 31 December 2024 and 2025 are at fixed interests rate at 1.90%-3.10% and 1.90%-3.10%, respectively, per annum with certain duration, and are held for collection of contractual cash flows and for selling the financial assets, therefore term deposits are measured as FVOCI. These term deposits were neither past due nor impaired. These term deposits were approximated their fair value.

19 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Cash at bank	149,797	57,392
Cash at bank balances denominated in:		
– RMB	148,529	55,305
– USD	–	–
– AUD	1,268	2,087
	149,797	57,392

20 BORROWINGS

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Current		
Short-term bank borrowings *(Note (a))*	34,176	38,667
Convertible bonds *(Note (b))*	62,149	61,441
	96,325	100,108

As at 31 December 2024 and 2025, the Group's borrowings were repayable as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Less than 1 year or repayment on demand	96,325	100,108

The carrying amounts of borrowings were denominated in RMB.

(a) As at 31 December 2025, short-term bank borrowings of RMB38,667,000 were drawn down under loan facilities of RMB509,500,000.

As at 31 December 2024, a bank borrowing of RMB4,430,000 was drawn down under a loan facility of RMB9,800,000 guaranteed by the Company, Dr. Zhang Hesheng, Mr. Chen Yingwei (a director of the Company) and Xiajiang County Yucai Financing Guarantee Co., Ltd.. This bank borrowing of RMB4,430,000 was repaid on 14 March 2025, and the related loan facility and guarantees were released accordingly.

As at 31 December 2024, guaranteed bank borrowings of RMB29,746,000 comprise of a letter of credit amounted to RMB8,012,000 and short-term bank borrowings amounted to RMB21,734,000. Those guaranteed bank borrowings were drawn down under a loan facility of RMB100,000,000 guaranteed by Dr. Zhang Hesheng. The guarantee of Dr. Zhang Hesheng was subsequently released by the bank on 10 April 2025.

(b) Xiajiang Hemay, a subsidiary of the Company issued convertible bonds with the principal of RMB60,000,000 and the interest rate of 4.9% to a third party (the "Subscriber") on 12 March 2020.

The contractual terms stipulate that the maturity date shall be 12 March 2025, with annual interest payments due on 12 March and full principal repayment upon maturity. If the principal and interest are not paid on the payment date or maturity date, the Subscriber has the right to apply for the conversion of the outstanding principal and interest of the convertible bonds into shares of Xiajiang Hemay in accordance with the valuation price within nine months from the default date.

The conversion right is treated as a derivative financial liability because its term does not meet the definition of an equity instrument. The valuation assessment of the fair value of the embedded derivative considers two aspects (1) the probability of such event-driven (default driven) affair occurring, and (2) the evaluation of additional gains or losses to the Subscriber resulting from such conversion trigger. With regard of the valuation of convertible bonds, since the payoff to the Subscriber is deemed to be zero both before and after the conversion-triggering event, the fair value of the conversion right is zero.

As at 12 March 2025, Xiajiang Hemay has not repaid the convertible bonds upon maturity, as the Group was negotiating with the Subscriber to enter into a new arrangement. The Subscriber has agreed that until a time when new agreement for the convertible bonds is entered into or 31 December 2025, whichever is later, the Subscriber will not consider Xiajiang Hemay's non-payment of principal and related interests as an event of default, and the Subscriber will not exercise its conversion rights. During this period, the Subscriber agreed that the interest rate would be the loan prime rate.

As at 27 June 2025, Xiajiang Hemay and Subscriber entered into a supplemental agreement, pursuant to which the term of the convertible bonds was extended to March 2026, and the applicable interest rate for a period from March 2025 to March 2026 will be amended to 3.6% per annum.

As at 31 December 2024 and 2025, the Group pledged certain buildings with a carrying amount of approximately RMB11,306,000 and RMB60,237,000 respectively (Note 13) and certain land use rights with carrying amount of approximately RMB643,000 and RMB2,297,000 respectively (Note 14) for the convertible bonds of the Group. Both the Company and Tianjin Hemay Pharmaceutical Co., Ltd. also provided guarantee for the convertible bonds.

As at 12 March 2026, Xiajiang Hemay repaid the principal and interest of the convertible bonds.

(c) The weighted average effective interest rate was 4.33% and 3.65% as at 31 December 2024 and 2025 respectively.

21 LEASE LIABILITIES

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Minimum lease payments due		
– Within 1 year	521	582
– Between 1 and 2 years	521	13
	1,042	595
Less: future finance charges	(42)	(10)
Present value of lease liabilities	1,000	585
Current portion Lease liabilities	489	572
Non-current portion of lease liabilities	511	13
– Within 1 year	489	572
– Between 1 and 2 years	511	13
	1,000	585

The following table sets forth the discount rate of the lease liabilities as the dates indicated:

	As at 31 December	
	2024	2025
Lease liabilities	4.65%	3.5%-4.65%

The Group leases various properties and land use right for operation and these liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

The loss and total comprehensive loss shows the following amounts relating to leases:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Leased properties	1,526	733
Land use right	210	210
Less: amounts capitalised in property, plant and equipment	(86)	(103)
	1,650	840
Interest expense (included in finance costs)	(86)	(31)
Expense relating to short-term leases (included in administrative expenses)	22	662

The total cash outflow for leases in year 2024 and 2025 were RMB2,023,000 and RMB1,145,000 respectively.

Information about right-of-use assets is set out in Note 14.

22 DEFERRED INCOME

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Government grants	9,591	9,529

Deferred income represented government grants received relating to property, plant and equipment, which will be recognized over the estimated useful lives of the related assets.

23 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended 31 December 2024 and 2025.

24 TRADE AND NOTES PAYABLES

(i) Trade and Notes Payables of the Group

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Trade and notes payables *(Note (a))*	41,837	38,649

As at 31 December 2024 and 2025, all trade and notes payables of the Group were non-interest bearing, and their fair values approximated their carrying amounts due to their short maturities.

(a) As at 31 December 2024 and 2025, the ageing analysis of trade and notes payables based on invoice date are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
– Within 1 year	41,526	36,109
– More than one year	311	2,540
Total	41,837	38,649

(ii) Trade and Notes Payables of the Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Trade and notes payables *(Note (a))*	26,953	24,577

(a) As at 31 December 2024 and 2025, the ageing analysis of trade and notes payables based on invoice date are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
– Within 1 year	26,512	24,559
– More than one year	441	18
Total	26,953	24,577

25 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Payable for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Payable of purchase of property, plant, and equipment	11,211	7,178
Salaries and welfare payables	4,699	5,609
Payable for professional service fees	680	13
Other tax payables	464	461
Others	1,018	247
Total	18,072	20,014

26 SHARE CAPITAL — THE GROUP AND THE COMPANY

Share capital as at 31 December 2024 and 2025, represented the share capital of the Group and the Company.

	Share capital	Numbers of shares
	RMB'000	
Authorised capital:		
As at 31 December 2024	396,847	396,846,576
As at 31 December 2025	396,847	396,846,576

	Share capital	Numbers of shares
	RMB'000	
Issued and fully paid capital:		
As at 1 January 2024	384,895	384,894,546
Issuance of shares *(i)*	11,952	11,952,030
As at 31 December 2024, 1 January 2025 and 31 December 2025	396,847	396,846,576

(i) According to the related shareholder agreement, the Company issued 11,952,030 new shares at total consideration of RMB118,000,000 in cash, with the incremental directly attributable transaction cost of RMB2,774,000.

27 RESERVES AND ACCUMULATED LOSSES

(i) Reserves and Accumulated Losses of the Group

	Share premium	Foreign currency translation reserve	Share based payment reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	453,455	157	25,195	(583,561)	(104,754)
Loss for the year	–	–	–	(123,393)	(123,393)
Capital injection	103,274	–	–	–	103,274
Share-based payment expenses	–	–	11,625	–	11,625
Currency translation differences on translation of foreign operations	–	(98)	–	–	(98)
As at 31 December 2024	556,729	59	36,820	(706,954)	(113,346)
As at 1 January 2025	556,729	59	36,820	(706,954)	(113,346)
Loss for the year	–	–	–	(129,806)	(129,806)
Share-based payment expenses	–	–	9,898	–	9,898
Currency translation differences on translation of foreign operations	–	(68)	–	–	(68)
As at 31 December 2025	556,729	(9)	46,718	(836,760)	(233,322)

(ii) Reserves and accumulated losses of the Company

	Share premium	Share based payment reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	453,455	25,195	(37,916)	440,734
Loss for the year	–	–	(66,760)	(66,760)
Capital injection	103,274	–	–	103,274

	Share premium	Share based payment reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share-based payment expenses	–	11,625	–	11,625
As at 31 December 2024	556,729	36,820	(104,676)	488,873
As at 1 January 2025	556,729	36,820	(104,676)	488,873
Loss for the year	–	–	(70,514)	(70,514)
Share-based payment expenses	–	9,898	–	9,898
As at 31 December 2025	556,729	46,718	(175,190)	428,257

28 SHARE-BASED PAYMENT

The share-based payment expenses charged to the consolidated statements of comprehensive income during the Track Record Period were as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Employee share ownership plans ("ESOP")	11,625	9,898

The accumulated share-based payment of the Group during the Track Record Period were as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Share based payment – the Group	36,820	46,718

(i) Details of the Group's employee share ownership plans

A limited partnership, namely Ganzhou Heyi Technical Consulting Center (Limited Partnership) (贛州和毅技術諮詢中心(有限合夥)) ("Ganzhou Heyi") was set up in September 2021, as the employee shareholding platform ("Employee Incentive Platform") to hold the shares granted to employees.

Participants of the ESOP (the "Participants") are granted limited partnership interests (the "Awards") in the Employee Incentive Platform. Upon receiving the Awards, the Participants indirectly receive economic interest in the pro rata portion of the underlying shares held by the Employee Incentive Platform.

(ii) Awards granted under ESOP

On 9 November 2021 (the grant date), common capitals of RMB552,633 (15,566,325 shares as adjusted upon the conversion into a joint stock company) of the Company with a grant price of RMB1.00 per share were granted to certain directors, senior management and employees through the Ganzhou Heyi, while the fair value of common capitals of the Company at the grant date was estimated to be RMB109.00 per unit common capital.

The fair value at grant date is independently valued by an qualified valuer using an option pricing model that takes into account the issue price of series C redemption liabilities from the nearest financing activity, risk free rate, the expected dividend yield, the probabilities of different scenarios (liquidation, redemption and [**REDACTED**]), the expected time to liquidation/redemption/[**REDACTED**] and historical volatilities of the peer group companies' shares.

The shares will be vested upon the expiration of a 12-month period following the company's [**REDACTED**]. The total amount of share-based payment was expensed over the vesting period.

During the Track Record Period, no share was granted or forfeited.

Key assumptions are set as below:

	RMB
Risk-free interest rate	2.52%
Expected volatility	47.4%
Dividend yield ratio	0.0%
Grant date option fair value per unit common capital	109.00

As at 31 December 2024 and 2025, the number of award shares held by the directors, senior management and employees under the ESOP is 15,566,325.

29 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Reconciliation of loss before income tax to cash used in operations

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Loss before income tax	(123,393)	(129,806)
Adjustments for:		
Amortisation of intangible assets *(Note 15)*	9	9
Depreciation of property, plant and equipment *(Note 13)*	13,465	13,006
Depreciation of right-of-use assets *(Note 14)*	1,736	840
Interest expenses *(Note 9)*	3,848	3,359
Interest income *(Note 9)*	(263)	(550)
Interest income from term deposit *(Note 8)*	(3,953)	(2,454)
Amortisation of deferred income *(Note 6)*	(62)	(62)
Losses on disposal of property, plant and equipment *(Note 8)*	5	25
Share-based payment expenses *(Note 28)*	11,625	9,898
Changes in working capital:		
– Prepayment and other receivables	3,345	19,331
– Trade and notes payables	2,751	(3,188)
– Accruals and other payables	(634)	7,839
Cash used in operations	(91,521)	(81,753)

(ii) Reconciliation of liabilities from financing activities

	Lease liabilities	**Borrowings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024	2,915	61,997	64,912
Cash outflows	(2,001)	(3,585)	(5,586)
Cash inflows	–	34,176	34,176
Interest expenses	86	3,737	3,823
At 31 December 2024	1,000	96,325	97,325
At 1 January 2025	1,000	96,325	97,325
Cash outflows	(483)	(38,212)	(38,695)
Cash inflows	–	38,667	38,667
New lease	37	–	37
Interest expenses	31	3,328	3,359
At 31 December 2025	585	100,108	100,693

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control, joint control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and, common significant influence or joint control.

The owners, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Other than the related party transactions disclosed in Note 20, the other related party transactions are disclosed as below.

(i) Key management compensation:

Key management includes directors (executive and non-executive), supervisors and members of key management. The compensation paid or payable to key management for employee services is as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Salaries, wages and bonuses	5,231	6,790
Discretionary bonuses	1,571	1,766
Employer's contribution to pension schemes – defined contribution	368	363
Other employee benefits, allowance and benefits in kind	505	464
Share-based payment expenses	10,795	9,192
	18,470	18,575

31 COMMITMENTS

(i) Lease commitments (excluding the right-of-use assets and lease liabilities)

As at 31 December 2024 and 2025, the Group leases some offices under irrevocable lease contracts with lease term less than one year and leases of low value that have been exempted from recognition of right-of-use assets permitted under IFRS16. The future aggregate minimum lease payment under irrevocable lease contracts for these exempted contracts are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
No later than 1 year	–	591

(ii) Capital expenditure commitments

Capital expenditure contracted for as at 31 December 2024 and 2025 but not yet incurred by the Group are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Property, plant and equipment	2,624	2,236

32 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) Details of emoluments in respect of the directors of the Company

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2025 are as follows:

	Basic salaries and wages	Discretionary bonus	Pension obligations-defined contribution plans	Other employee benefits, allowance and benefits in kind	Share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman						
Dr. Zhang Hesheng	1,033	660	38	2	7,070	8,803
Executive directors						
Mr. Chen Yingwei	691	252	48	69	707	1,767
Ms. Huo Aihong	321	185	32	46	471	1,055
Non-executive directors						
Mr. Ren Yonghua	–	–	–	–	–	–
Mr. Zhang Guangneng	–	–	–	–	–	–
Mr. Wang Quanxi	50	–	–	–	–	50
Mr. Shao Leilei	120	–	–	–	–	120
Ms. Jia Meng	68	–	–	–	–	68
Dr. Yang Cheng	120	–	–	–	–	120
	2,403	1,097	118	117	8,248	11,983
Supervisors						
Mr. Wei Xiaodi	301	147	–	1	–	449
Mr. Zhang Donglei	287	90	48	69	-	494
Ms. Lv Jingjing	194	42	37	49	–	322
	782	279	85	119	–	1,265

Ms. Huo Aihong was appointed as an executive director in May 2025. Ms. Huo has been served as a senior management of the Group during the Track Record Period and the tables above disclose her remuneration during the period when she served as a director. Ms. Jia Meng was appointed as a non-executive director in May 2025. Mr. Wang Quanxi was resigned in May 2025. Mr. Ren Yonghua was resigned in April 2025.

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2024 are as follows:

	Basic salaries and wages	Discretionary bonus	Pension obligations-defined contribution plans	Other employee benefits, allowance and benefits in kind	Share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman						
Dr. Zhang Hesheng	1,201	660	38	37	8,304	10,240
Executive directors						
Mr. Chen Yingwei	611	220	47	67	830	1,775
Non-executive directors						
Mr. Ren Yonghua	–	–	–	–	–	–
Mr. Zhang Guangneng	–	–	–	–	–	–
Mr. Wang Quanxi	120	–	–	–	–	120
Mr. Shao Leilei	120	–	–	–	–	120
Dr. Yang Cheng	120	–	–	–	–	120
	2,172	880	85	104	9,134	12,375

	Basic salaries and wages	Discretionary bonus	Pension obligations-defined contribution plans	Other employee benefits, allowance and benefits in kind	Share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors						
Mr. Wei Xiaodi	304	121	1	3	–	429
Mr. Zhang Donglei	270	68	47	67	–	452
Ms. Lv Jingjing	189	32	34	46	–	301
	763	221	82	116	–	1,182

(b) Directors' and supervisors' retirement benefits

No retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director, a supervisor in respect of his services as a director, a supervisor or other services in connection with the management of the affairs of the Group for the Track Record Period.

(c) Directors' and supervisors' termination benefits

None of the directors, supervisors received or will receive any termination benefit during the Track Record Period.

(d) Consideration provided to third parties for making available directors', supervisors' services

The Group did not pay consideration to any third party for making available directors', supervisors' services during the Track Record Period.

(e) Information about loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors.

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors and supervisors subsisted at the end of the year or at any time during the Track Record Period.

(f) Directors' and supervisors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 30, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director, a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

33 SUBSIDIARIES

(a) Investments in subsidiaries — the Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Investment in unlisted shares *(i)*	509,120	509,120
Share-based payments for subsidiaries employees	24,329	27,321
	533,449	536,441

(i) Particulars of the subsidiaries of the Group as at 31 December 2024 and 2025 are set out below:

Name	Place of incorporation and operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company			Principal activities
				As of 31 December		As at the date of this report	
				2024	2025		
Directly held:							
Xiajiang Hemay Pharmaceutical Co., Ltd.*	Chinese mainland	2 March 2012	RMB100,000,000	100%	100%	100%	Drug production
Tianjin Hemay Pharmaceutical Co., Ltd.*	Chinese mainland	27 August 2014	RMB80,000,000	100%	100%	100%	Research and development of drugs
Tianjin Hemay Oncology Pharmaceutical Co., Ltd.*	Chinese mainland	25 July 2016	RMB30,000,000	100%	100%	100%	Research and development of drugs
Anhui Hemay Pharmaceutical Co., Ltd.*	Chinese mainland	24 May 2023	RMB80,000,000	100%	100%	100%	Drug production
Gansu Hemay Pharmaceutical Co., Ltd.*	Chinese mainland	31 October 2024	RMB98,000,000	100%	100%	100%	Drug production
Indirectly held:							
Tianjin Hemay Bio-Tech Co., Ltd.*	Chinese mainland	26 July 2002	RMB2,590,000	100%	100%	100%	No substantive business operations
Hemay Pharmaceutical Pty. Ltd.	Australia	18 September 2015	AUD3,488,769	100%	100%	100%	Application of clinical trials in Australia
Hemay Pharmaceuticals International, Inc.	the USA	31 March 2017	USD600,000	Deregistered	Deregistered	Deregistered	Research and development of drugs

No audited statutory financial statements have been issued for these entities as there are no statutory requirements in the respective places of incorporation.

Hemay Pharmaceuticals International, Inc. was deregistered on 6 March 2024.

* The English names of the subsidiaries are translation made by management of the Company as they do not have official English names.

34 AMOUNTS DUE TO/FROM SUBSIDIARIES — THE COMPANY

(a) Amounts due from subsidiaries

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Gansu Hemay Pharmaceutical Co., Ltd.	175	102,441
Tianjin Hemay Pharmaceutical Co., Ltd.	209,900	101,627
Tianjin Hemay Oncology Pharmaceutical Co., Ltd.	64,028	64,026
Xiajiang Hemay Pharmaceutical Co., Ltd.	15,500	25,500
	289,603	293,594

(b) Amounts due to subsidiaries

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Anhui Hemay Pharmaceutical Co., Ltd.	–	8,000
Hemay Pharmaceutical Pty. Ltd.	–	1,090
Tianjin Hemay Pharmaceutical Co., Ltd.	–	870
Tianjin Hemay Oncology Pharmaceutical Co., Ltd.	–	47
Gansu Hemay Pharmaceutical Co., Ltd.	10,000	–
	10,000	10,007

The amounts due to/from subsidiaries is unsecured and payable or receivable on demand.

35 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES

35.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

35.2 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	20 years
– Machinery and furniture	5 - 10 years
– Vehicles	4 years
– Electronic equipment and others	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 35.3).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statements of comprehensive income.

Construction-in-progress represents properties and equipment under construction and is stated at cost less impairment. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for intended use.

35.3 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGUs")). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

35.4 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

(ii) those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

(b) Recognition and measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in finance costs and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss ("FVPL"). A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in the consolidated statements of comprehensive income as applicable.

35.5 Cash and cash equivalents

In the consolidated statement of cash flow, cash and cash equivalents include cash on hand, demand deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

35.6 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

35.7 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

35.8 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax, which is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. When it is not probable, the Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the historical financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or

liability in a transaction other than a business combination that at the time of the transaction neither accounting nor taxable profit or loss is affected. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available to utilise those temporary differences and tax losses.

Outside basis differences

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the associates' and joint ventures' undistributed profit is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

35.9 Share-based payments

The fair value of the employee services received in exchange for the grant of equity instruments (the "share-based payment") is the difference between the fair value of each award share of the Company and the cash consideration to be paid by the participant, and is recognized as an expense in "employee benefit expenses" in the consolidated statement of comprehensive income, with a corresponding increase in equity.

The total amount of share based payment of the Group was expensed over the vesting period.

At the end of each reporting period during the Track Record Period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

35.10 Intangible assets

(a) Software

Acquired software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of 10 years. The Group should assess whether there is any indication that software is impaired at each financial year end.

(b) Research and development ("R&D")

The research and development expenses of this Group mainly include expenses such as materials consumed for the implementation of research and development activities, salaries of R&D department employees, depreciation and amortization of R&D equipment and software assets, R&D testing, R&D technical service fees.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

35.11 Other accounting policies

35.11.1 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the historical financial statements of the investee's net assets including goodwill.

35.11.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

During the years ended 31 December 2024 and 2025, the Group has been focusing on research and development of innovative medicine products. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

35.11.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The historical financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains or losses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in comprehensive income as part of the fair value through profit or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

35.11.4 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

35.11.5 Other receivables

Other receivables are amounts for deposits and others. If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The Group holds the other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. For impairment of other receivables, refer to Note 35.11.4.

35.11.6 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to past expenses are recognised directly in the consolidated statements of comprehensive income.

The interest subsidies directly received from government are recorded as a reduction of interest expenses to match the interest cost incurred.

Government grants relating to future costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as "Deferred income" and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

The recognition period of government grants is reviewed, and adjusted if appropriate, at the end of each reporting period.

35.11.7 ***Redemption liabilities***

A contract that contains an obligation for the Group to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount ("Redemption liabilities") even if the Group's obligations to purchase is conditional on the counterparty exercising a right to redeem.

Capital reserve is debited to reflect the carrying amount of the redemption liabilities when initial recognition of redemption liabilities, and will be reversed when the redemption liabilities are derecognised. Subsequently, the redemption liabilities are measured at amortised cost with interest charged in finance costs.

The Group removes redemption liabilities to financial investors when, and only when, the redemption obligations are discharged, cancelled or expired. The carry amount of the removed redemption liabilities to financial investors is reclassified into equity, if the contract expires without delivery.

35.11.8 ***Employee benefits***

The Group entities in Chinese mainland participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in Chinese mainland and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-retirement benefits beyond the contributions made.

The contributions are recognised as employee benefit expense when they are due.

35.11.9 ***Share capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

35.11.10 ***Borrowing costs***

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

35.11.11 ***Interest income***

Interest income from financial assets at FVOCI is included in the other gains/(losses) on these assets.

Interest income on cash and cash equivalent which are measured at amortised cost calculated using the effective interest method is recognised in finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

35.11.12 ***Leases and right-of-use assets***

The Group leases properties and land use rights in Chinese mainland as lessee. The consideration paid for lease are treated as right-of-use assets, which are stated at cost less accumulative amortisation and accumulated impairment losses, if any. land use right is amortised over the lease period of 50 years using straight-line method.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 35.3).

Rental contracts are typically made for fixed periods of 6 months to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain various terms and conditions.

Leases are recognised as right-of-use assets and the corresponding liabilities at the date of which the respective leased assets is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payment:

(i) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(ii) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. Right-of-use assets are subject to impairment (Note 35.3).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise small items of machinery.

36 CONTINGENCIES

As at 31 December 2024 and 2025, there were no significant contingencies for the Group and the Company.

37 SUBSEQUENT EVENTS

There are no material subsequent undertaken by or impacted on the Company or the Group subsequent to 31 December 2025 and up to the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2025 and up to the date of the report.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this document, and is included herein for illustrative purposes only. The unaudited [**REDACTED**] *financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [**REDACTED**] on the net tangible assets of the Group attributable to the owners of the Company as at 31 December 2025 as if the [**REDACTED**] had taken place on 31 December 2025.

The unaudited [**REDACTED**] statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2025 or at any future dates following the [**REDACTED**].

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2025 *(Note 1)*	**Estimated [REDACTED] from the [REDACTED]** *(Note 2)*	**Unaudited [REDACTED] adjusted net tangible assets of the Group attributable to owners of the Company as at 31 December 2025**	**Unaudited [REDACTED] adjusted net tangible assets per Share** *(Note 3 and 4)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2025 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2025 of approximately RMB163,525,000 with an adjustment for the Group's intangible assets of approximately RMB57,000 as at 31 December 2025.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on [**REDACTED**] and the indicative [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**], being the low and high end of the indicative [**REDACTED**] range respectively, after deduction of the estimated [**REDACTED**] and other related expenses (excluding [**REDACTED**] of approximately RMB[**REDACTED**] which have been accounted for in the Group's consolidated statement of comprehensive income prior to 31 December 2025) and takes no account of any Shares which may be allotted and issued upon the exercise of the [**REDACTED**].

(3) The unaudited [**REDACTED**] net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] have been completed on 31 December 2025 but takes no account of any Shares which may be allotted and issued upon the exercise of the [**REDACTED**].

(4) For the purpose of this unaudited [**REDACTED**] adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of RMB[0.86986] to HK$1.00. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) By comparing the valuation of the Group's selected property interest of RMB[92,400,000] as set out in Appendix III to this document and the unaudited net book value of the selected property as at 30 April 2026, the net revaluation surplus is approximately RMB[6,190,000], which has not been included in the above consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2025. The revaluation of the Group's selected property interest will not be incorporated in the Group's financial information. If the revaluation surplus is to be included in the Group's financial information, an additional depreciation charge of approximately RMB[354,000] per annum relating to the selected property interest would be recorded.

(6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2025.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2026 of the selected property interest held by Ganzhou Hemay Pharmaceutical Co., Ltd.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

[●] 2026

The Board of Directors
Ganzhou Hemay Pharmaceutical Co., Ltd.
West Section of Green Source Avenue
West District, Hi-Tech Industrial Park
Xinfeng County
Ganzhou City
Jiangxi Province
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the selected property interest held by Ganzhou Hemay Pharmaceutical Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 April 2026 (the "**valuation date**").

The selected property interest forms part of non-property activities that each property has a carrying amount of 15% or more of the Group's total assets and therefore the valuation of the property interest is required to be included in this document.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued by the Cost Approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality have been considered. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of Land Use Rights Grant Contract, Real Estate Title Certificates and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisor — King & Wood, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 9 April 2025 by Ms. Siyang Kou who has obtained a master degree in Architecture and has 6 years' valuation experience in the real estate industry of the PRC.

Climate change, sustainability, resilience, and ESG are increasingly influencing investment approaches as they may affect prospects for rental and capital growth, and susceptibility to obsolescence. Properties that do not meet the sustainability characteristics expected in the market may represent a higher investment risk, particularly as occupiers become more conscious of ESG impacts on operational workspace, which could impact on vacancy and rental levels. This view is supported by RICS in their recently published guidance note "Sustainability and ESG in commercial property valuation and strategic advice (3rd Edition)."

While some of the sustainability and ESG initiatives are considered subjective and intangible, they cannot always be demonstrated with quantifiable evidence. Based on our research and local market knowledge, there is not yet any direct and tangible evidence of ESG being reflected in specific investment behaviours and/or pricing considerations for assets of a similar nature to the subject property, although it is acknowledged that ESG criteria is forming part of an increasing number of investment mandates. However more tangible benefits such as energy efficiency are realisable in operational costs. We have not undertaken full asset and market investigations in this regard. Whilst there is currently no direct and tangible evidence to suggest that the market is making pricing adjustments for ESG, we will continue to monitor market movements and sentiment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS R.P.S. (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 32 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Selected property interest held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2026
			RMB
2 parcels of land, 17 buildings and various structures located at Shuibian Town Industrial Park Xiajiang County Ji'an City Jiangxi Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 46,083.44 sq.m. and 17 buildings and various ancillary structures erected thereon which were completed between December 2013 and March 2022. The 17 buildings have a total gross floor area of approximately 22,848.40 sq.m., which are industrial buildings for research & development, production, storage, office and ancillary uses. The structures mainly include boundary walls, pools, carport and roads. The land use rights of the property have been granted for terms with the expiry dates on 10 September 2056 and 25 May 2070 for industrial use.	As at the valuation date, the property was occupied by the Group for research & development, production, storage, office and ancillary purposes.	92,400,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — 36202009060012 and an Application Letter of State-owned Land Use Rights Transfer Approval, the land use rights of the property with a total site area of approximately 46,083.44 sq.m. were contracted to be granted to Xiajiang Hemay Pharmaceutical Co., Ltd. ("**Xiajiang Hemay**", 峽江和美藥業有限公司, a wholly-owned subsidiary of the Company) for a term of 50 years commencing from 11 September 2006 and 26 May 2020. The total land premium was RMB2,713,200.

2. Pursuant to 11 Real Estate Title Certificates — Gan (2024) Xia Jiang Xian Bu Dong Chan Quan Di Nos. 0000063, 0000091, 0000098, 0000099, 0000103, 0000104, 0000105, 0000106, 0000110, 0000113 and 0000118, the land use rights of the property with a total site area of approximately 46,083.44 sq.m. have been granted to Xiajiang Hemay for terms with the expiry dates on 10 September 2056 and 25 May 2070 for industrial use. The buildings of the property with a total gross floor area of approximately 22,848.40 sq.m. are owned by Xiajiang Hemay for industrial use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, inter alia, the following: Xiajiang Hemay has no mortgages on the land use rights and building ownership rights of the property and obtained real estate title certificates. These real estate title certificates are legal and valid, and there are no unresolved major disputes or potential controversies of the property.

4. As the property is the major asset held by the Group, we are of the view that the property is a material property. Details of the material property

a) General description of location of the property	:	The property is located at Shuibian Town Industrial Park, Xiajiang County, Ji'an City, Jiangxi Province, the PRC. It is surrounded by Industrial Zones. The property is close to Yuehua Road and No. 2 Industrial Road, enjoying convenient accessibility and is well served by public transportation, such as bus route Xiajiang Nos. 5 and 16. Xiajiang High-speed Railway Station is about 15 minutes' driving distance away from the property.
b) Details of encumbrances, liens, pledges, mortgages against the property	:	Nil
c) Environmental Issue	:	As advised by the Group, according to 2 opinion letters of Environmental Impact Reports for the construction projects of active pharmaceutical ingredients pilot plant of Xiajiang Hemay Pharmaceutical Co., Ltd., the property has been passed the environmental protection inspection acceptance on October 2013 and May 2022.
d) Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil.
e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Company, the Company has no future plans for construction, renovation, improvement and development of the property.

TAXATION FOR SECURITIES HOLDERS

The income tax and capital gains tax of H-share holders must comply with the laws and practices of China and the jurisdiction where the H-share holder is located, or other tax provisions. The following summary of relevant tax provisions is based on current laws and practices, which may change and does not constitute legal or tax advice. This discussion does not cover all possible tax implications related to investing in H-shares, nor does it take into account any specific circumstances of any particular investors, some of which may be subject to special regulations. Therefore, you should consult your tax advisor regarding the tax implications of investing in H-shares. The discussion is based on laws and interpretations effective as of the latest practicable date, all of which may change and may have retroactive effect.

In addition to income tax, capital gains tax, business tax/VAT, stamp duty, and inheritance tax, this discussion does not cover any other aspects of Chinese or Hong Kong taxes. Potential investors should consult their financial advisors regarding the Chinese, Hong Kong, and other tax implications of holding and selling H-shares.

CHINESE TAXES

Tax on Dividends

Individual Investors

According to the Personal Income Tax Law of the People's Republic of China (hereinafter referred to as the "Personal Income Tax Law"), promulgated on September 10, 1980, revised by the Standing Committee of the Thirteenth National People's Congress on August 31, 2018, and effective from January 1, 2019, and the Implementation Regulations of the Personal Income Tax Law of the People's Republic of China, revised by the State Council on December 18, 2018, and effective from January 1, 2019, dividends paid by Chinese companies to individual investors are generally subject to a withholding tax at a uniform rate of 20%. At the same time, according to the Notice on Issues Related to the Differential Personal Income Tax Policy for Dividends and Bonuses of Listed Companies issued by the Ministry of Finance, the State Administration of Taxation, and the CSRC on September 7, 2015, for individuals who obtain listed company shares from the public issuance or transfer market, dividends received from shares held for more than one year are temporarily exempt from personal income tax; dividends received from shares held for a period of one month or less (including one month) are fully included in the taxable income; dividends received from shares held for a period of more than one month but up to one year (including one year) are included in the taxable income at 50%; the above-mentioned income is subject to personal income tax at a uniform rate of 20%. In practice, the withholding tax rate for non-resident individual dividends may be lower than 20% in some cases. However, according to the Notice on Several Issues of Personal Income Tax Policy issued by the Ministry of Finance and the State Administration of Taxation, dividends and bonuses received by foreign individuals from foreign-invested enterprises are temporarily exempt from personal income tax. On February 3, 2013, the State Council

approved and promulgated the Notice of the State Council Approving and Forwarding Certain Opinions of the Development and Reform Commission and Other Departments on Deepening the Reform of the Income Distribution System. On February 8, 2013, the General Office of the State Council promulgated the Notice of the General Office of the State Council on the Key Work Division for Deepening the Reform of the Income Distribution System. According to the above two documents, the Chinese government plans to cancel the tax exemption for dividends received by foreign individuals from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation are responsible for formulating and implementing the details of the plan. However, the Ministry of Finance and the State Administration of Taxation have not yet formulated relevant implementation regulations or rules. According to the Notice on Several Issues of Personal Income Tax Collection and Administration after the Abolition of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation on June 28, 2011, dividends paid by domestic non-foreign-invested enterprises issuing shares in Hong Kong to resident individuals in a foreign country in a tax treaty jurisdiction are generally subject to personal income tax at a rate of 10%. For H-share individual holders who are residents of a contracting state and receive dividends, if their country of residence has entered into a tax treaty with China that provides for a tax rate lower than 10%, the non-foreign-invested enterprise listed in Hong Kong may apply to the tax authorities on behalf of such holders for the right to enjoy the preferential tax treatment, and any excess withheld tax will be refunded once approved by the tax authorities. For individual H-share holders who are residents of a contracting state and receive dividends, if their country has a tax treaty with China that provides for a tax rate higher than 10% but lower than 20%, the non-foreign-invested enterprise shall withhold tax at the agreed tax rate under the tax treaty without the need for application. For individual H-share holders who are non-residents and receive dividends, if their country entered into any tax treaty with China or otherwise the non-foreign-invested enterprise shall withhold tax at a rate of 20%.

According to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed on August 21, 2006, the Chinese government may levy tax on dividends paid by Chinese companies to Hong Kong residents (including natural persons and legal entities), provided that the amount of tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident holds directly 25% or more of the equity in a Chinese company, the amount of tax shall not exceed 5% of the total amount of dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, effective from December 6, 2019, stipulates that the above provisions shall not apply to arrangements or transactions made primarily for the purpose of obtaining the above tax benefits.

Corporate Investors

According to the Enterprise Income Tax Law, revised and effective on December 29, 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, revised and effective on April 23, 2019, non-resident enterprises that do not have an establishment or place of business in China, or although having an establishment or place of business in China, the income derived from China is not actually related to the establishment or place of business set up in China, shall pay enterprise income tax at a general rate of 10% on income derived from within China (including dividends paid by Chinese resident enterprises listed and issued in Hong Kong). The withholding tax on the aforementioned income tax payable by non-resident enterprises shall be implemented at source, with the payer of income as the withholding agent. The withholding tax may be reduced or exempted in accordance with applicable treaties to avoid double taxation.

The Notice on Issues Concerning the Withholding and Payment of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Non-Resident Enterprise Shareholders of Overseas H-shares issued by the State Administration of Taxation and effective on November 6, 2008, further clarifies that for dividends distributed out of profits generated from January 1, 2008 onwards, PRC resident enterprises shall withhold and pay enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise H-shareholders. The Reply on the Issue of Enterprise Income Tax on Dividends on B-shares and Other Stocks Acquired by Non-Resident Enterprises issued by the State Administration of Taxation on July 24, 2009 further stipulates that any PRC resident enterprise listed on an overseas stock exchange shall withhold and pay enterprise income tax on behalf of the non-PRC resident enterprise shareholders at a rate of 10% on the dividends distributed to such shareholders. The above-mentioned tax rate may be further changed in accordance with tax treaties or agreements concluded between China and the relevant jurisdictions (if applicable).

According to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed on August 21, 2006, the Chinese government may levy a tax on dividends paid by Chinese companies to Hong Kong residents (including natural persons and legal entities), provided that the tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident holds directly 25% or more of the equity interest in a Chinese company, the tax shall not exceed 5% of the total amount of dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, effective from December 6, 2019, stipulates that arrangements or transactions made primarily for the purpose of obtaining the above tax benefits shall not be applicable to the above provisions. The implementation of the dividend clause of the tax agreement also needs to comply with the provisions of Chinese tax laws and regulations such as the Notice on Issues Concerning the Implementation of the Dividend Clause of the Tax Agreement issued by the State Administration of Taxation.

Tax Treaties

Non-PRC resident investors residing in countries that have concluded double taxation avoidance treaties with China or residing in the Hong Kong or Macao Special Administrative Regions are entitled to preferential tax rates on dividends received from Chinese companies. China has concluded double taxation avoidance arrangements with the Hong Kong and Macao Special Administrative Regions respectively, and has concluded double taxation avoidance treaties with a number of other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises that are entitled to preferential tax rates under the relevant income tax treaties or arrangements may apply to the Chinese tax authorities for a refund of the difference between the withheld tax amount and the tax calculated at the treaty tax rate.

According to the Measures for the Administration of Non-Resident Taxpayers' Entitlement to Treaty Benefits issued by the State Administration of Taxation on October 14, 2019, which became effective on January 1, 2020, non-resident taxpayers who entitle to tax preferential treatment under the tax agreements shall adopt the method of "self-judgment, filing of returns for entitlement, and retention of relevant data for inspection". Non-resident taxpayers who determine that they meet the conditions for entitlement to the agreement benefits may enjoy the agreement benefits on their own when filing tax returns or through the withholding agent when declaring withholding taxes, while collecting and retaining relevant data as required for record-keeping and inspection purposes, and accepting subsequent management by the tax authorities.

Share Transfer Tax

Value-Added Tax and Local Surcharges

According to the Notice on the Comprehensive Implementation of the Pilot Program for the Transformation of Business Tax to Value-Added Tax (hereinafter referred to as "Circular 36"), promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016, and revised on July 11, 2017, December 25, 2017, and March 20, 2019, units and individuals selling services, intangible assets, or real estate within China are taxpayers of value-added tax and shall be subject to value-added tax instead of business tax in accordance with the law. Circular 36 also stipulates that the transfer of financial products (including the transfer of ownership of negotiable securities) shall be subject to a value-added tax of 6% on taxable income.

At the same time, value-added tax taxpayers are also subject to urban maintenance and construction tax, educational surcharge tax and local educational surcharge tax.

Income Tax

Individual Investors

According to the Personal Income Tax Law and its implementing regulations, individuals shall be subject to 20% personal income tax on the gains from the sale of equity interests in PRC resident enterprises. According to the Notice on the Continued Temporary Exemption from Personal Income Tax on Gains from the Transfer of Listed Company's Shares promulgated by the Ministry of Finance and the State Administration of Taxation on March 30, 1998 (hereinafter referred to as "Notice No. 61"), starting from January 1, 1997, the gains from the transfer of listed company's shares by individuals continue to be temporarily exempt from personal income tax. According to the Announcement on the Catalogue of Personal Income Tax Preferential Policies Remaining in Force issued by the Ministry of Finance and the State Administration of Taxation on December 29, 2018, Notice No. 61 will remain valid.

According to the Notice on Issues Concerning the Levy of Personal Income Tax on Gains from the Transfer of Restricted Shares of Listed Companies issued by the Ministry of Finance, the State Administration of Taxation, and the CSRC on December 31, 2009, the gains from the transfer of listed company's shares publicly issued and acquired from trading market by individuals on the Shanghai Stock Exchange or Shenzhen Stock Exchange continue to be exempt from personal income tax, except for the restricted shares as defined in the Supplementary Notice on Issues Concerning the Levy of Personal Income Tax on Gains from the Transfer of Restricted Shares of Listed Companies jointly issued by the above-mentioned three authorities on November 10, 2010.

As of the latest practicable date, the above provisions do not explicitly stipulate the levy of personal income tax on the sale of shares of PRC resident enterprises listed on overseas stock exchanges (such as the Stock Exchange) by non-resident individuals.

Corporate Investors

According to the Enterprise Income Tax Law and its implementing regulations, non-PRC resident enterprises that do not have an establishment or place of business in China, or although having an establishment or place of business in China, the income derived from China is not actually related to the establishment or place of business set up in China, shall pay enterprise income tax on income derived from within China at a general rate of 10%. The above-mentioned tax may be reduced or exempted in accordance with applicable tax agreements or arrangements.

Tax Policy on Shanghai-Hong Kong Stock Connect

On October 31, 2014, the Ministry of Finance, the State Administration of Taxation, and the CSRC jointly issued the Notice on Tax Policies for the Pilot Program of Shanghai-Hong Kong Stock Market Trading Interconnection Mechanism (hereinafter referred to as the "Shanghai-Hong Kong Stock Connect Tax Policy"). According to the Shanghai-Hong Kong Stock Connect Tax Policy, for mainland enterprise investors who obtain transfer price gains through Shanghai-Hong Kong Stock Connect when investing in stocks listed on the Hong Kong Stock Exchange, the gains are included in their total income and enterprise income tax is levied in accordance with the law. For mainland enterprise investors who obtain dividend and bonus income through Shanghai-Hong Kong Stock Connect when investing in stocks listed on the Hong Kong Stock Exchange, the income is included in their total income and enterprise income tax is levied in accordance with the law. Among them, dividend and bonus income obtained by mainland resident enterprises holding H-shares continuously for 12 months is exempt from enterprise income tax in accordance with the law. For dividend and bonus income obtained by mainland enterprise investors, H-share companies do not withhold dividend and bonus income tax for mainland enterprise investors. The taxable amount shall be declared and paid by the enterprise itself.

For dividend and bonus income obtained by mainland individual investors through Shanghai-Hong Kong Stock Connect when investing in H-shares listed on the Hong Kong Stock Exchange, H-share companies should apply to China Securities Depository and Clearing Corporation Limited (hereinafter referred to as "China Clearing") for the mainland individual investor list provided by China Clearing, and H-share companies shall withhold personal income tax at a rate of 20%.

Tax Policy on Shenzhen-Hong Kong Stock Connect

On November 5, 2016, the Ministry of Finance, the State Administration of Taxation, and the CSRC jointly issued the Notice on Tax Policies for the Pilot Program of Shenzhen-Hong Kong Stock Market Trading Interconnection Mechanism (hereinafter referred to as the "Shenzhen-Hong Kong Stock Connect Tax Policy"). According to the Shenzhen-Hong Kong Stock Connect Tax Policy, for mainland enterprise investors who obtain transfer price gains through Shenzhen-Hong Kong Stock Connect when investing in stocks listed on the Hong Kong Stock Exchange, the gains are included in their total income and subject to enterprise income tax in accordance with the law. For mainland enterprise investors who obtain dividend and bonus income through Shenzhen-Hong Kong Stock Connect when investing in stocks listed on the Hong Kong Stock Exchange, the income is included in their total income and subject to enterprise income tax in accordance with the law. Among them, dividend and bonus income obtained by mainland resident enterprises holding H-shares continuously for 12 months is exempt from enterprise income tax in accordance with the law. For dividend and bonus income obtained by mainland enterprise investors, H-share companies do not withhold dividend and bonus income tax on behalf of mainland enterprise investors. The taxable amount shall be declared and paid by the enterprise itself.

For dividend and bonus income obtained by mainland individual investors through Shenzhen-Hong Kong Stock Connect when investing in H-shares listed on the Hong Kong Stock Exchange, H-share companies shall submit an application to China Securities Clearing Corporation which will provide the H-share company with a register of mainland individual investors, and H-share companies shall withhold personal income tax at a rate of 20%.

CHINESE STAMP DUTY

According to the Stamp Duty Law of the People's Republic of China, promulgated on June 10, 2021, and effective from July 1, 2022, units and individuals that have executed taxable instruments or conducted securities transactions within the territory of the People's Republic of China are taxpayers of stamp duty and shall pay stamp duty in accordance with the provisions of this law, or units and individuals that have executed taxable instruments outside the territory of the People's Republic of China for use within the territory shall pay stamp duty in accordance with the provisions of this law.

Estate Duty

As of the date of this document, there is currently no estate duty in China.

MAIN TAXES OF THE GROUP IN CHINA

Enterprise Income Tax

According to the Enterprise Income Tax Law, the enterprise income tax rate for Chinese enterprises is 25%, which is in line with the applicable tax rates for foreign-invested enterprises and foreign enterprises.

According to the Announcement on Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Owners issued by the Ministry of Finance and the State Administration of Taxation on August 2, 2023, and came into effect on January 1, 2023, the policy of calculating the taxable income of small and micro-profit enterprises at a reduced rate of 25% and subjecting them to enterprise income tax at a rate of 20% was extended to December 31, 2027.

According to the Administrative Measures for the Recognition of High and New Technology Enterprises promulgated by the Ministry of Science and Technology of the People's Republic of China, the Ministry of Finance, and the State Administration of Taxation on April 14, 2008, as revised on January 29, 2016, and effective from January 1, 2016, enterprises recognized as high and new technology enterprises may apply for a preferential enterprise income tax rate of 15% in accordance with the Enterprise Income Tax Law.

Value-Added Tax

According to the Interim Regulations of the People's Republic of China on Value-Added Tax, which was revised and effective on November 19, 2017, units and individuals who sell goods or provide processing, repair, and fitting services as well as import goods within China, are subject to value-added tax. Unless otherwise stipulated in the above regulations, the general tax rate for taxpayers selling or importing goods is 17%.

According to Circular 36 issued by the Ministry of Finance and the State Administration of Taxation on March 23, 2016, which came to effect on May 1, 2016, with the approval of the State Council, the pilot program for the transformation of business tax to value-added tax was fully rolled out nationwide with effect from May 1, 2016. All business tax taxpayers in the construction industry, real estate industry, financial industry, or daily-life service industry were included in the scope of the pilot program, changing from paying business tax to paying value-added tax. According to the Implementation Measures for the Pilot Program of Transformation of Business Tax to Value-Added Tax issued and came into effect at the same time as the above notice, the tax rates for sales of services, intangible assets or real estate by taxpayers shall be 17%, 11%, 6%, and nil, respectively.

According to the Notice on Adjusting Value-Added Tax Rates issued by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, which became effective from May 1, 2018, the tax rates for taxpayers engaging in value-added tax taxable sales or importing goods, originally applicable at 17% and 11%, were adjusted to 16% and 10%, respectively.

According to the Announcement on Policies for Deepening Value-Added Tax Reform issued by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs of the People's Republic of China on March 20, 2019, which became effective from April 1, 2019, the tax rates for taxpayers engaging in value-added tax taxable sales or importing goods, originally applicable at 16% and 10%, were adjusted to 13% and 9%, respectively.

According to the Announcement on Value-Added Tax Reduction or Exemption Policies for Small-Scale Taxpayers of Value-Added Tax issued by the Ministry of Finance and the State Administration of Taxation on August 1, 2023, which became effective from the same day, value-added tax is exempted for small-scale taxpayers of value-added tax with monthly sales of RMB100,000 (inclusively) or less, and the announcement is valid until December 31, 2027.

CHINESE FOREIGN EXCHANGE CONTROL

The main foreign exchange control laws and regulations in China are the Foreign Exchange Administration Regulations promulgated by the State Council on January 29, 1996, and effective from April 1, 1996, and subsequently revised on January 14, 1997, and August 5, 2008, and the Regulations on the Administration of Settlement, Sale, and Payment of Foreign Exchange issued by the People's Bank of China on June 20, 1996, and effective from July 1, 1996. According to these regulations and other relevant Chinese rules and regulations on currency exchange, Renminbi is generally freely convertible for recurring items (such as foreign exchange transactions involving trade and services and dividend payments), and is not freely convertible for capital items (such as direct investments, loans, or securities investments abroad) without the prior approval of the State Administration of Foreign Exchange or its local branches.

According to relevant laws and regulations of China, when Chinese enterprises (including foreign-invested enterprises) need to use foreign exchange for current account transactions, they may make payments through foreign exchange accounts opened by financial institutions engaged in the business of settlement and sale of foreign exchange with valid proof documents without the approval of the foreign exchange management authorities. Foreign-invested enterprises that need to distribute profits to shareholders in foreign exchange and Chinese enterprises that need to pay dividends to shareholders in foreign exchange according to regulations may make payments from the foreign exchange accounts of designated foreign exchange banks or purchase foreign exchange from designated foreign exchange banks based on the resolutions of the board of directors or shareholders' meetings on profit distribution.

On December 26, 2014, the State Administration of Foreign Exchange issued the Notice on Issues Concerning the Administration of Foreign Exchange for Overseas Listings, according to which domestic companies shall, within 15 working days after the end of the overseas public issuance, hold the required materials and process the registration for overseas listings with the foreign exchange bureau where they are registered. The funds raised by domestic companies through overseas listings may be remitted back to China or deposited abroad, and the use of funds shall be consistent with the content listed in the publicly disclosed documents.

On February 13, 2015, the State Administration of Foreign Exchange issued the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, which came into effect on June 1, 2015, and was partially abolished on December 30, 2019. The notice abolished the approval matters for foreign exchange registration under domestic direct investment and foreign direct investment, and the registration of foreign exchange under domestic direct investment and foreign direct investment was changed to be directly reviewed and processed by banks. The State Administration of Foreign Exchange and its branches indirectly supervised the foreign exchange registration for direct investment through banks.

According to the Notice on Reforming and Regulating the Policies for the Administration of the Settlement of Capital Items in Foreign Exchange issued by the State Administration of Foreign Exchange on June 9, 2016, domestic institutions' foreign exchange income from capital items is subject to a discretionary settlement policy, i.e., the foreign exchange income from capital items (including capital in foreign exchange, foreign debt funds, and funds remitted back from overseas listings, etc.) that has been clearly stipulated by relevant policies to be subject to discretionary settlement may be settled in banks according to the actual business needs of domestic institutions. Domestic institutions may determine in their discretion that the proportion of discretionary settlement of the foreign exchange income from capital items shall be temporarily set at 100%, and the State Administration of Foreign Exchange may adjust the above proportion in a timely manner according to the conditions of balance of payments.

PRC LAWS AND REGULATIONS

This Appendix sets out summaries of certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV — Taxation and Foreign Exchange" to this document. The principal objective of this summary is to provide an overview of the principal PRC laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which may be important to the issuer. For more details of laws and regulations which are relevant to our business, see the section headed "Regulatory Overview" in this document.

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution of the People's Republic of China (《中華人民共和國憲法》) (the "PRC Constitution"), and is made up of written laws, administrative regulations, local regulations, autonomous regulations and separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, laws of special administrative regions and international treaties and other regulatory documents signed by the PRC government. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the PRC Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》) (the "PRC Legislation Law"), both the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the PRC Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities directly under the Central Government and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the PRC Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations with respect to urban and rural construction and management, environmental protection and historical and cultural protection and other aspects based on the specific circumstances and actual needs of such cities. Such local regulations 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 if they are not in conflict with the PRC Constitution, laws, administrative regulations and local regulations of the provinces or autonomous regions concerned.

The ministries and commissions of the State Council, the PBOC, the NAO and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules and regulations within the competence of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and cities divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities directly under the central government.

The PRC Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations and separate regulations may contravene the PRC Constitution. The authority of the PRC laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts and autonomous prefectures within their respective administrative regions of such provinces and autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but contravene the PRC Constitution and the PRC Legislation Law. The SCNPC has the power to annul administrative regulations that contravene the PRC Constitution and laws, to annul local regulations that contravene the PRC Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government but contravene the PRC Constitution and the PRC Legislation Law. The State Council has the power to alter or annul any inappropriate departmental regulations and rules of local governments. The people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the PRC Constitution, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) adopted on June 10, 1981, issues related to the further clarification or supplement of laws shall be interpreted or provided by the SCNPC; issues related to the specific application of laws and decrees in a court trial shall be interpreted by the Supreme People's Court; issues related to the specific application of laws and decrees in the procuratorial work during the prosecution process shall

be interpreted by the Supreme People's Procuratorate, and all other legal matters are to be interpreted by the State Council and its relevant competent departments. If there are differences in principle in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. The State Council and its ministries and commissions also have the right to interpret the administrative rules and departmental regulations issued by them. At the local level, the power to interpret local laws resides with the local legislative and administrative authorities that enacted those laws.

PRC JUDICIAL SYSTEM

According to the PRC Constitution and the Law of Organization of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》) most recently amended on October 26, 2018 and effective on January 1, 2019, the people's courts are made up of the Supreme People's Court, the local people's courts at all levels, and the special people's courts.

The local people's courts are divided into three levels, namely the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are further divided into civil, criminal and economic tribunals. The intermediate people's courts have structure similar to those of the primary people's courts and other special courts, such as the intellectual property courts, military courts and maritime courts. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Procuratorate is authorized to supervise the judgement and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgement and ruling of a people's court at a lower level which have been legally effective. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's courts employ a two-tier appellate system. The judgements or rulings of the second instance at a people's court are final. A party may appeal against the judgement or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgements or rulings of the people's court are final. Judgements or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgements or rulings of the first instance of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at the next higher level discovers an error in a final and binding judgement or ruling which has taken effect in a people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgement or ruling which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) (the "PRC Civil Procedure Law") adopted on April 9, 1991 and most recently amended on September 1, 2023, prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgement or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the provisions on grade jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization that institute or respond to proceedings in a people's court is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court shall apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he/she or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or a participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation, collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform legally effective judgements and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years, subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement. This A party seeking to enforce a judgement or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgement or ruling. Alternatively, the people's court may, pursuant to an international treaty to which the PRC is a signatory or a participant or according to the principle of reciprocity, request the foreign court to recognize and execute the judgement or ruling. Likewise, if the PRC has entered into either a treaty relating to judicial enforcement with the relevant foreign country or according to the principle of reciprocity, a foreign judgement or ruling may also be recognized and enforced in accordance with the PRC enforcement procedures by a PRC court unless the people's court considers that the recognition or enforcement of such judgement or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or would not be in the public interest.

The PRC Company Law (《中華人民共和國公司法》), Overseas Listing Trial Measures (《境外上市試行辦法》) and Guidance for Articles of Association.

A joint stock limited company incorporated in the PRC and seeking a listing on the Stock Exchange is mainly subject to the following laws and regulations in the PRC:

(i) The PRC Company Law (《中華人民共和國公司法》) which was promulgated on December 29, 2023 and took effect on July 1, 2024;

(ii) The Overseas Listing Trial Measures (《境外上市試行辦法》) which were promulgated by the CSRC on February 17, 2023 pursuant to the Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "PRC Securities Law") and are applicable to the direct and indirect overseas share offering or listing of domestic companies;

(iii) The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the "Guidance for Articles of Association") which was most recently amended on March 28, 2025 by the CSRC. The articles of association is formulated based on the Guidance for Articles of Association on a reference basis, the summary of which is set out in the section entitled "Appendix VI — Summary of Articles of Association."

Set out below is a summary of the major provisions of the currently effective PRC Company Law, the Overseas Listing Trial Measures and the Guidance for Articles of Association which are applicable to issuer.

General

A joint stock limited company refers to a corporate legal person established in China under the PRC Company Law with its registered capital divided into shares. All shares of the company shall be either par value shares or no par value shares in accordance with the articles of association. Where par value shares are adopted, each share shall have equal value. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

The company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the company may not be a contributor that undertakes joint liabilities for the debts of the invested companies.

Incorporation

A company may be incorporated by promotion or public subscription. A company shall be incorporated by a minimum of one but no more than 200 promoters, and at least half of the promoters must be residents within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company incorporated by promotion shall not be offered to others unless the registered capital has been fully paid up. If laws, administrative regulations and decisions of the State Council have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a board of supervisors shall be elected (except for those not required by law to establish a board of supervisors) and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by laws or administrative regulations.

Where companies are incorporated by floatation, not less than 35% of their total number of shares shall be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. The promoters shall preside over and convene an inauguration meeting within thirty days from the date of the full payment of subscription capital contribution. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued are not fully subscribed for within the offer period stipulated in the share offering document, or where the promoter fails to convene an inauguration meeting within thirty days of the subscription capital contribution for the shares issued being fully paid up, the subscribers may demand that the promoters refund the fully paid subscription capital contribution together with the interest calculated at bank rates of a deposit for the same period. Within thirty days of the conclusion of the inauguration meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after the registration with the relevant administration for market regulation has been completed and a business licence has been issued.

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 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 laws or administrative regulations on valuation without any over-valuation or under-valuation.

There is no limit under the PRC Company Law as to the percentage of shares held by an individual shareholder in a company. The shares of a company are represented by stocks. A stock is a certificate issued by the company to certify the share held by a shareholder. The stock issued by the company shall be in the form of registered stock.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares of the same class issued at the same time must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the par value of the share, but may not be less than the par value.

Under the Overseas Listing Trial Measures, if a domestic company offers shares overseas, it may raise funds and dividend distributions in foreign currency or Renminbi.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder register which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) the number of shares held by each shareholder;

(iii) the serial numbers of shares held by each shareholder;

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

In response to its operational and development needs and in accordance with laws and regulations, a company may increase its share capital under any of the following methods, after the resolutions is passed at a shareholders' general meeting: (i) a public offering of shares; (ii) a private placement of shares; (iii) offering of bonus shares to existing shareholders; (iv) the conversion of reserve funds into shares; and (v) any other methods provided in law and administrative regulations and approved by the CSRC.

Pursuant to the PRC Company Law, a company may, according to its articles of association, issue the following classes of shares, which have different rights from those of the ordinary shares: (i) shares with priority or inferior rights to profits or remaining property in distribution; (ii) shares with more or less voting rights per share than those of the ordinary shares; (iii) shares whose transfer is subject to the consent of the company and other restrictions; (iv) other classes of shares provided by the State Council. A company making a public offering of shares shall not issue any of the classes of shares as prescribed on items (ii) and (iii), except those issued prior to the public offering. Where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and when the new shares are proposed to be issued to existing shareholders, the class and amount of such new shares.

When a domestic company offers shares overseas, it shall report the application documents for offering and listing to the CSRC for record-filing within three business days after submission of the application documents for offering and listing overseas.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and a list of properties;

(ii) the reduction of registered capital must be approved by shareholders at the general meeting;

(iii) the company shall notify its creditors of the reduction in registered capital within ten days and publish an announcement of the reduction in newspapers or the National Enterprise Credit Information Publicity System within thirty days of the resolution approving the reduction being passed;

(iv) the creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts;

(v) the company must apply to the relevant company registration authority for registration of the change and reduction in registered capital.

Repurchase of Shares

Pursuant to the PRC Company Law, a company shall not purchase its own shares other than in any of the following circumstances:

(i) reducing its registered capital;

(ii) merging with another company which holds its shares;

(iii) utilising the shares for employee stock ownership plan or share incentive scheme;

(iv) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or separation;

(v) utilising the shares for conversion of corporate bonds which are convertible into shares issued by a listed company;

(vi) where it is necessary for a listed company to maintain its corporate value and shareholders' equity.

Any company's purchase of its own shares for any reason specified in item (i) and item (ii) of the preceding paragraph shall be subject to a resolution of the general meeting; any company's purchase of its own shares for any reason specified in item (iii), item (v) and item (vi) of the preceding paragraph may be subject to a resolution of the board meeting with more than two thirds of directors present, according to the provisions of the articles of association or upon authorisation by the general meeting.

The shares acquired under the circumstance stipulated in item (i) hereof shall be deregistered within ten days from the date of acquisition of shares; the shares repurchased under the circumstances stipulated in either item (ii) or item (iv) shall be assigned or deregistered within six months; and the shares held in total by a company after the repurchase under any of the circumstances stipulated in item (iii), item (v) or item (vi) shall not exceed 10% of the company's total shares in issue, and shall be assigned or deregistered within three years.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws. Pursuant to the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of twenty days prior to convening a shareholders' general meeting or five days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies.

Pursuant to the PRC Company Law, shares of the company issued prior to the public offering of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in the company and any changes thereof. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company per annum. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within half a year after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

(i) to receive a return on assets, participate in significant decision-making and select management personnel;

(ii) to petition the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has not been convened in accordance with the laws and regulations or the articles of association or whose voting has violated the laws, administrative regulations or the articles of association of the company, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within sixty days of the passing of such resolution;

(iii) to transfer the shares according to the applicable laws and regulations and the articles of association;

(iv) to attend or appoint a proxy to attend general meetings and exercise the voting rights;

(v) to inspect the articles of association, share register, counterfoil of company debentures, minutes of general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(viii) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription capital contribution in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription capital agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

General Meeting

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to elect and remove the directors and supervisors (not being representative (s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(ii) to review and approve the reports of the board of directors;

(iii) to review and approve the reports of the board of supervisors or supervisors;

(iv) to review and approve the company's profit distribution proposals 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 company's articles of association;

(ix) to exercise any other authority stipulated in the articles of association.

The general meeting may authorise the board of directors to make resolutions on the issuance of corporate bonds.

Pursuant to the PRC Company Law, a general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;

(ii) the outstanding losses of the company amounted to one-third of the company's total share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;

(iv) the board of directors deems it necessary to convene a meeting;

(v) the board of supervisors so proposes;

(vi) any other circumstances as provided for in the articles of association.

A general meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the 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 individually or in aggregate holding 10% or more of the company's shares for ninety days or more consecutively may unilaterally convene and preside over such meeting. Where shareholders individually or in aggregately holding 10% or more of the company's shares request to convene an extraordinary general meeting, the board of directors and the board of supervisors shall, within ten days after receipt of such request, decide whether to convene the extraordinary general meeting and reply to the shareholders in writing.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders twenty days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders fifteen days prior to the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a general meeting.

Pursuant to the PRC Company Law, shareholders (excluding classified shareholders) present at a general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of resolutions relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the board of directors shall convene a general meeting promptly to vote on such matters.

A shareholder may entrust a proxy to attend the general meeting on his/her behalf and the matters, power and time limit of the proxy shall be clarified by such shareholder. The proxy shall present the shareholders' power of attorney to the company and exercise voting rights within the scope of authorisation.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairman and directors attending the meeting shall endorse such minutes by signature. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A joint stock limited company shall have a board of directors which shall have at least three members. For a company that has three hundred or more employees, the board of directors shall include the staff representative unless the board of supervisors has been established and already included the staff representative supervisor. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(i) to summon the general meetings and report its works to the general meetings;

(ii) to implement the resolutions passed by the shareholders at the general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate the company's profit distribution proposals and loss recovery proposals;

(v) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vi) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(vii) to decide on the setup of the company's internal management organs;

(viii) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy manager and the person responsible for financial matters of the company and to decide on their remunerations;

(ix) to formulate the company's basic management system;

(x) to exercise any other authority as is stipulated in the articles of association.

Restrictions on the board of directors' powers in the articles of association shall not be used against a third party in good faith.

Board meetings shall be convened at least twice each year. Notice of meetings shall be given to all directors and supervisors at least 10 days prior to the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for summoning an interim board meeting. The board meetings shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization. The board of directors shall prepare minutes of the resolutions adopted at the meeting, which shall be signed by the directors present at the meeting.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(i) a person with no capacity for civil conduct or limited capacity for civil conduct;

(ii) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or sabotaging the order of socialist market economy, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence, in case of a suspended sentence, not more than two years have elapsed since the date of expiry of the probationary period;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation or the order for closure;

(v) a person being listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of debts which has fall due.

Any election or appointment of directors by the company, to whom any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board of directors shall have a chairman and may have 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 summon 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 jointly elected by more than half of the directors shall perform his/her duties.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company shall establish an audit committee composed of directors within the board of directors to exercise the board of supervisors' functions. A joint stock limited company with a smaller scale or fewer shareholders may choose not to establish a board of supervisors and instead appoint a single supervisor. A joint stock limited 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, among which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the 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 have a chairman and may have 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 members shall not act concurrently as supervisors.

The chairman of the board of supervisors shall summon and preside over 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 summon and preside over 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 summon and preside over board of supervisors meetings.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisor 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 acts of directors and senior management members in their performance of their duties and to propose the removal of directors and senior management members who have violated laws, regulations, the articles of association or the shareholders' resolutions;

(iii) when the acts of a director or senior management members are detrimental to the company's interests, to require the director and senior management members to correct these acts;

(iv) to propose the convening of extraordinary general meetings and to convene and preside over general meetings when the board of directors fails to perform the duty of convening and presiding over general meetings under the PRC Company Law;

(v) to submit proposals to the general meetings;

(vi) to bring actions against directors and senior management members pursuant to the relevant provisions of the PRC Company Law;

(vii) 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.

Audit Committee

Under the PRC Company Law, a joint stock limited company may establish an audit committee composed of directors within its board of directors pursuant to the provisions of its articles of association to exercise the functions and powers of a board of supervisors as prescribed by PRC Company Law, in lieu of establishing a board of supervisors or supervisor.

The audit committee shall comprise at least three members, with a majority not holding any position in the company other than that of director, and having no relationship with the company that may affect their independent and objective judgment. Employee representatives serving on the board of directors may be appointed as audit committee members.

For listed companies with audit committees, the following matters shall require approval by a majority of all audit committee members before being resolved by the board of directors:

(1) Appointment or dismissal of accounting firms engaged for the company's audit work;

(2) Appointment or removal of the financial controller;

(3) Disclosure of financial accounting reports;

(4) Other matters specified by the securities regulatory authority under the State Council.

The Guidance for Articles of Association stipulates that the audit committee shall consist of at least three members, with independent directors constituting the majority and an accounting professional among the independent directors serving as convener. Employee representatives on the board may serve as audit committee members. The audit committee shall be responsible for reviewing the company's financial information and disclosures, overseeing and evaluating internal and external audits and internal controls. The following matters shall be submitted to the board meetings only after obtaining approval by a majority of all audit committee members:

(1) Disclosure of financial accounting reports, financial information in periodic reports, and internal control evaluation reports;

(2) Appointment or dismissal of accounting firms engaged for the listed company's audit work;

(3) Appointment or removal of the listed company's financial controller;

(4) Changes in accounting policies or accounting estimates, or corrections of material accounting errors not resulting from changes in accounting standards;

(5) Other matters stipulated by laws, administrative regulations, CSRC regulations and the company's articles of association.

The audit committee shall convene a meeting at least once a quarter. Interim meetings may be held upon request by two or more members or when the convener deems necessary. Audit committee meetings require attendance by at least two-thirds of members to constitute a quorum. Resolutions of the audit committee shall require approval by a majority of its members.

Manager and the Senior Management Members

Under the PRC Company Law, a company may have a manager who shall be appointed or removed by the board of directors. The manager shall exercise his duties and powers in accordance with the provisions of the company's articles of association or the authorization of the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at the board meetings. However, the manager shall have no voting rights at the board meetings unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management members refer to manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, Managers and Other Senior Management Members

Directors, supervisors and senior management members are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. The provisions of the preceding paragraph shall also apply to controlling shareholders or de facto controllers of the company who, although not serving as directors of the company, are actually involved in the company's affairs.

Directors, supervisors and senior management members are prohibited from abusing their authority in accepting bribes or other unlawful revenue and from misappropriating the company's property.

Directors, supervisors, and senior management members are prohibited from:

(i) embezzlement of company properties and misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) utilising power to accept bribe or accept other illegal revenue;

(iv) accepting for their own benefit commissions from third parties for transactions conducted with the company;

(v) unauthorized divulgence of confidential information of the company;

(vi) other acts in violation of their duty of loyalty to the company.

If any director, supervisor, and senior management members directly or indirectly enters into any contract or engages in any transaction with the company, he/she shall report such matter to the board of directors or the general meeting, and such contract or transaction shall be approved by a resolution of the board of directors or the general meeting in accordance with the provisions of the articles of association. The provisions of the preceding paragraph shall also apply to contracts or transactions entered into by close relatives of directors, supervisors, and senior management members, enterprises directly or indirectly controlled by such close relatives, or any other persons having an affiliated relationship with directors, supervisors, and senior management members.

Directors, supervisors, and senior management members shall not exploit their positions to seize business opportunities that rightfully belong to the company, whether for their own benefit or for the benefit of others, unless such conduct has been reported to the board of directors or the general meeting and approved in accordance with the provisions of the articles of association; or the company is unable to exploit such business opportunity under applicable laws, administrative regulations, or the articles of association.

Directors, supervisors, and senior management members shall not engage in any business that competes with the company, whether for their own benefit or for the benefit of others, unless such conduct has been reported to the board of directors or the general meeting and approved in accordance with the provisions of the articles of association.

Any revenue derived by a director or senior management members in violation of the provisions of the preceding paragraph shall be returned to the company.

A director, supervisor or senior management member who contravenes law, regulation or the articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

The Guidance for Articles of Association stipulates that directors and senior management members of the company owe a duty of diligence to the company. For example, directors and senior management members shall exercise the powers granted by the company prudently, diligently, and in good faith to ensure that the company's business operations comply with national laws, administrative regulations, and relevant economic policies, and that such operations do not exceed the scope of business activities specified in the company's business license. Directors and senior management members shall treat all shareholders fairly. Directors and senior management members shall sign written confirmation statements for the company's periodic reports to ensure that the information disclosed by the company is true, accurate, and complete. Directors and senior management members shall truthfully provide accurate information and materials to the audit committee and shall not obstruct the audit committee in the performance of their duties. Directors and senior management members shall also perform other duties of diligence as prescribed by laws, administrative regulations, departmental rules, and the company's articles of association.

Finance and Accounting

Under the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments under the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with laws. The financial report shall be prepared in accordance with laws, administrative regulations and the regulations of the financial departments under the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall announce its financial reports.

When distributing each year's profits after taxation, the company shall allocate 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached more than 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the losses for the previous years, the current year's profits shall first be used to offset such losses before any allocation is set aside

for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After a company has offset its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except otherwise provided for in the articles of association.

Any profits distributed to shareholders in violation of the provisions of the preceding paragraph shall be returned to the company. The company shall not be entitled to receive any profit distribution in respect of the shares it holds.

The premium on the par value of the company's issued shares and other revenue designated as capital reserve by the relevant government authorities shall be recorded as capital reserve. The company's reserve funds shall be used to offset the company's losses, expand the company's business operations, or increase the company's capital. When the company needs to use reserve funds to offset losses, it shall first allocate from the discretionary reserve fund and the statutory reserve fund; if such funds are insufficient, the company may allocate from the capital reserve fund in accordance with applicable regulations. When the statutory reserve fund is converted into capital, the balance of the reserve fund shall not be less than 25% of the company's registered capital prior to such conversion.

The company shall have no accounting books other than the statutory books. The company's funds shall not be deposited in any account opened under the name of an individual.

Appointment and Dismissal of Accountants

The Guidance for Articles of Association stipulates that the company must engage an accounting firm that complies with the provisions of the PRC Securities Law to provide services, including financial statement audits, net asset verification, and other relevant consulting services. The engagement period is one year and can be renewed.

Pursuant to the PRC Company Law, when a company engages or dismisses an accounting firm responsible for the company's audit work, it shall be determined by the shareholders at the general meeting or board of directors, or board of supervisors in accordance with the articles of association. When the general meeting or board of directors, or board of supervisors votes on the dismissal of the accounting firm, the accounting firm shall be allowed to make representations. The company shall provide the engaged accounting firm with true and complete accounting evidence, accounting books, financial and accounting reports, and other accounting materials, and shall not refuse to provide, conceal, or forge any materials. In addition, the Guidance for Articles of Association stipulates that the audit fees of the accounting firm shall also be determined by the shareholders at the general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute any profits before losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

According to the provisions of the PRC Company Law, a resolution of the general meeting regarding any amendment to the company's articles of association shall be passed by more than two-thirds of the votes held by the shareholders present at the general meeting.

According to the provisions of the Guidance for Articles of Association, the company shall amend its articles of association under any of the following circumstances:

(i) after any amendment to the PRC Company Law or any other applicable laws or administrative regulations, the provisions of the articles of association conflict with the amended laws and/or administrative regulations;

(ii) changes in the actual situation of the company result in inconsistencies with the content set forth in the articles of association;

(iii) the general meeting resolves to amend the articles of association.

The Guidance for Articles of Association further stipulates that any amendment to the articles of association adopted by the general meeting shall be submitted for approval if approval from the competent departments is required; if the amendment involves matters of company registration, the registration information of the company with the competent departments shall also be amended. In addition, if any laws or regulations require the disclosure of amendments to the articles of association, a public announcement shall be made in accordance with the applicable regulations.

Dissolution and Liquidation

In accordance with the provisions of the PRC Company Law, the Company shall be dissolved under any of the following circumstances:

(i) the business operating period stipulated by the Articles of Association has expired or other events causing dissolution, as stipulated by the Articles of Association, have materialized;

(ii) the shareholders resolve to dissolve the Company at a general meeting;

(iii) the Company has to be dissolved on account of its merger or division;

(iv) the Company's business license is revoked, or the Company is ordered to close or dissolve in accordance with the law;

(v) the Company experiences severe difficulties in its operations and management, and such difficulties cannot be resolved through other means, resulting in significant losses to the shareholders' interests if the Company continues to exist. In such cases, the people's court shall, upon the request of shareholders holding 10% or more of the total voting rights of the Company, order the dissolution of the Company. If any of the aforementioned grounds for dissolution arises, the Company shall, within ten days, publicly announce the grounds for dissolution through the National Enterprise Credit Information Publicity System.

In the event of the circumstances described in items (i) and (ii) above, the Company may continue to exist by amending its Articles of Association without distributing any assets to any shareholders. Any amendment to the Articles of Association in accordance with the aforementioned provisions shall require the approval of shareholders representing more than two-thirds of the voting rights present at the general meeting.

If the Company is dissolved due to the circumstances listed in items (i), (ii), (iv), or (v) above, a liquidation process must be initiated. The directors shall act as the liquidators of the Company and shall establish a liquidation committee within fifteen days from the date of the occurrence of the dissolution event. The liquidation committee shall be composed of directors or any other persons determined by the general meeting. If the liquidation committee is not established within the specified period or if the liquidation is ineffective after the establishment of the liquidation committee, interested parties may apply to the people's court to request the appointment of relevant persons to form a liquidation committee to manage the liquidation process. The people's court shall accept such applications and promptly establish a liquidation committee to carry out the liquidation.

During the liquidation process, the liquidation committee shall perform the following functions and powers:

(i) dispose of the Company's assets and prepare a balance sheet and an inventory of assets;

(ii) notify the Company's creditors or publish announcements;

(iii) handle and settle any outstanding business related to the liquidation;

(iv) pay any outstanding taxes and taxes arising during the liquidation process;

(v) settle the Company's claims and liabilities;

(vi) distribute the remaining assets of the Company after the repayment of all debts;

(vii) participate in civil proceedings on behalf of the Company.

The liquidation committee shall notify the Company's creditors within 10 days after its establishment and issue public notices in newspapers or on the National Enterprise Credit Information Publicity System within 60 days.

The creditors shall submit their claims to the liquidation committee within 30 days after receiving such notice, or if they fail to receive such notice, within 45 days after the publication of such announcement.

In filing their claims, creditors shall explain matters relating to the claims and provide the supporting documents. The liquidation committee shall register such claims. During the claim declaration period, the liquidation committee shall not repay any debt to any creditor.

After the liquidation committee has disposed of the properties of the Company and prepared a balance sheet and a property inventory as required, it shall formulate a liquidation proposal and submit it to the general meeting or the people's court for approval. The remaining assets of the Company after paying the costs of liquidation, the employees' salaries, social insurance contributions and legal compensation, taxes and debts of the Company, shall be distributed to the shareholders in proportion to their respective shareholding. During the period of liquidation, the Company shall continue to exist but shall not engage in any business activity except for those relating to the liquidation. Before repayment in accordance with the aforementioned provisions, the assets of the Company shall not be distributed to shareholders.

After the liquidation committee has sorted out the assets of the Company and prepared a balance sheet and a property inventory as required, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall apply to the people's court in accordance with the law to declare bankruptcy. Upon the people's court declaring bankruptcy, the liquidation committee shall hand over the management matters to the bankruptcy administrator designated by the people's court.

After completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit the same to the general meeting or the people's court for confirmation, then deliver the same to the Company's registration authority to apply for cancellation of the Company's registration and publicly announce the Company's dissolution. The members of the liquidation committee performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation committee who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation committee who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

If the Company declares bankruptcy according to law, it shall perform liquidation procedures in accordance with the relevant provisions of the Enterprise Bankruptcy Law of People's Republic of China (《中華人民共和國企業破產法》).

Overseas Listing

In accordance with the Trial Measures for Overseas Listing (境外上市試行辦法), an initial public offering or listing on an overseas market shall be filed with the CSRC within three business days after submitting the relevant application overseas. If the issuer issues securities again on an overseas market where it has previously issued and listed securities, it shall file with the CSRC within three business days from the date of completion of the issuance. Furthermore, if the filing documents are complete and meet the regulatory requirements, the CSRC will complete the filing process within twenty business days from the date of receiving the filing documents and publish the filing results on the website of the CSRC. If the filing documents are incomplete or do not meet the regulatory requirements, the CSRC will request supplementation and amendments within five business days from the date of receiving the filing documents, and the issuer shall complete such supplementation and amendments within thirty business days.

Loss of Share Certificates

If the share certificate (s) of shareholders in registered form is either stolen, lost or destroyed, a shareholder may, in accordance with the public announcement procedures set out in the PRC Civil Procedure Law, apply to the people's court for a declaration that such certificate (s) will no longer be valid. After such declaration has been obtained, the shareholder may apply to the Company for the issue of a replacement certificate (s).

Merger and Division

A company merger may be conducted either through absorption or through the establishment of a new entity. In the case of an absorption merger, the absorbed company shall be dissolved. In the case of a merger through the establishment of a new entity, all merging parties shall be dissolved.

The parties involved in the merger shall enter into a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days from the date of the merger resolution and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within thirty days. Creditors may, within thirty days from the date of receiving the notice, demand the Company to repay its debts or provide guarantee for such repayment; those who have not received the notice may make such demands within forty-five days from the date of the announcement. In the event of a merger, the rights and obligations of the merging parties shall be assumed by the surviving company or the newly established company.

Where a company merges with another company in which it holds not less than 90% of the shares, the acquired company is not required to obtain approval through a general meeting resolution, but it must notify other shareholders who have the right to require the company to acquire their equity or shares at a reasonable price. If the price paid for the company merger does not exceed 10% of the company's net assets, approval through a general meeting

resolution is not required, unless otherwise stipulated in the company's articles of association. If the company merger is exempt from approval through a general meeting resolution under the aforementioned two circumstances, it must be approved by the resolution of the board of directors.

If the Company undergoes a division, its assets must also be divided, and a balance sheet and an inventory of assets must be prepared. The Company shall notify its creditors within ten days from the date of the division resolution and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within thirty days. The liabilities of the Company prior to the division shall be jointly assumed by the divided companies, unless otherwise stipulated in a written agreement regarding the repayment of debts entered into between the Company and its creditors prior to the division.

The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a number of regulations that relate to the issuance and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council merged the Securities Committee with the CSRC and restructured the CSRC.

The Provisional Regulations Concerning the Issuance and Trading of Shares (《股票發行與交易管理暫行條例》) cover the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, as well as the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issuance, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The PRC Securities Law (《中華人民共和國證券法》) came into effect on July 1, 1999, and was amended on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019, respectively. The most recent amended PRC Securities Law became effective on March 1, 2020. This law is the first national securities law in China, comprising

14 chapters and 226 articles, regulating, among other things, the issuance and trading of securities, the acquisition of listed companies, securities exchanges, the obligations and responsibilities of securities companies and the securities regulatory authority under the State Council. The Securities Law comprehensively oversees the activities of China's securities market. Article 224 of the Securities Law stipulates that domestic enterprises listing their shares overseas must comply with the relevant regulations of the State Council.

Currently, the issuance and trading of overseas stock offerings are primarily regulated by rules and regulations promulgated by the State Council and the 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 last amended on September 1, 2017. Pursuant to the PRC Arbitration Law, an arbitration committee may, before the promulgation of arbitration regulations by the China 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 has lapsed.

Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the award, the other party to the award may apply to a people's court for its enforcement.

If the respondent provides evidence proving that the arbitration award involves any of the following circumstances, and upon review and verification by the people's court, the court shall rule not to enforce the award:

(i) the parties did not include an arbitration clause in the contract, nor did they subsequently reach a written arbitration agreement;

(ii) the matters ruled upon fall outside the scope of the arbitration agreement, or the arbitration institution had no authority to arbitrate;

(iii) the composition of the arbitration tribunal or the arbitration procedure violated statutory procedures;

(iv) the evidence on which the award is based was forged;

(v) the other party concealed evidence from the arbitration institution that could have affected a fair ruling;

(vi) the arbitrator engaged in embezzlement, bribery, malpractice, or other illegal conduct during the arbitration of the case.

If the people's court determines that enforcing the award would violate public interest, it shall rule not to enforce the award.

Any party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognised and enforced by a PRC court in accordance with the principle of reciprocity or any international convention concluded or acceded to by the PRC.

Pursuant to the resolution adopted by the SCNPC on December 2, 1986, the PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "New York Convention") adopted on June 10, 1958. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the convention, the SCNPC declared that (i) the PRC will only recognise and enforce foreign arbitral awards based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC law to be arising from contractual or non-contractual mercantile legal relations.

The Judicial Committee of the Supreme People's Court adopted the Arrangement Concerning Mutual Enforcement of Arbitration Awards Between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which came into effect on February 1, 2000. The Supreme People's Court promulgated the Supplementary Arrangement Concerning Mutual Enforcement of Arbitration Awards Between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) on November 26, 2020. Under these arrangements, if one party fails to comply with an arbitration award made in the Mainland or Hong Kong, the other party may apply to the relevant court in the place of the respondent's domicile or where their assets are located for compulsory enforcement.

Judicial Judgments and Their Enforcement

In accordance with the Arrangement of the Supreme People's Court on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), promulgated by the Supreme People's Court on July 3, 2008, and effective from August 1, 2008, if any designated court in the Mainland China or Hong Kong renders an enforceable final judgment requiring the payment in a civil or

commercial case based on a written jurisdiction agreement, the relevant parties may apply to the corresponding Mainland China or Hong Kong court for recognition and enforcement of the judgment. If the disputing parties have not agreed to enter into a written jurisdiction agreement, a judgment rendered by a Hong Kong court may not be enforceable in the Mainland China.

On January 18, 2019, the Supreme People's Court and the Government of the Hong Kong Special Administrative Region entered into the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and 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》) (the "New Arrangement"), aiming to establish a clearer and more certain mechanism for the mutual recognition and enforcement of a broader range of civil and commercial judgments between the Mainland China and Hong Kong. The New Arrangement does not require the parties to enter into a written jurisdiction agreement. The New Arrangement came into effect on January 29, 2024, and replaced the previous arrangement.

SHARES AND REGISTERED CAPITAL

The Company's shares are in the form of stocks. The par value of the shares is denominated in Renminbi, with each share having a par value of RMB1.00.

The issuance of the Company's shares is based on the principles of openness, fairness, and justice, with each share of the same category having equal rights.

For shares issued in the same offering and of the same category, the issuance conditions and price per share are the same; subscribers to the shares pay the same amount per share.

INCREASE AND DECREASE OF SHARES, REPURCHASE, AND TRANSFER OF SHARES

Increase or Decrease of Shares

In accordance with the laws, regulations, securities regulatory rules of the place where the Company's shares are listed, and the Listing Rules, and based on the resolutions of the general meeting, the Company may increase its capital through the following methods:

(i) Issuance of shares to unspecified objects;

(ii) Issuance of shares to specified objects;

(iii) Distribution of bonus shares to existing shareholders;

(iv) Conversion of capital reserve into share capital; and

(v) Other methods stipulated by laws, administrative regulations, and approved by the CSRC and the Hong Kong Stock Exchange.

The Company may reduce its registered capital. When reducing its registered capital, the Company shall follow the procedures stipulated by the Company Law, the Listing Rules, and other relevant regulations, as well as the provisions of these Articles of Association.

Repurchase of Shares

The Company shall not acquire its own shares. However, the following exceptions apply, provided that they do not violate the laws, regulations, securities regulatory rules of the place where the Company's shares are listed, the Listing Rules, and these Articles of Association:

(i) Reduction of the Company's registered capital;

(ii) Merger with another company that holds the Company's shares;

(iii) Use of shares for employee share ownership schemes or equity incentives;

(iv) Shareholders request the Company to purchase their shares due to objections to the resolutions on the Company's merger or division passed at the general meetings;

(v) Use of shares to convert into convertible bonds issued by the Company; and

(vi) Necessary to maintain the Company's value and shareholders' rights and interests.

In the case of purchasing its own shares under the above (i) and (ii), the Company shall be approved by a resolution at the general meeting. The Company may purchase its own shares under (iii), (v), and (vi) above in accordance with the provisions of the Articles of Association or with the authorization of the general meeting by a resolution at a Board meeting attended by more than two-thirds of the Directors. After the Company acquires its own shares in accordance with the provisions of Article 25, in the case of (i), the shares shall be cancelled within 10 days from the date of acquisition; in the cases of (ii) and (iv), the shares shall be transferred or cancelled within 6 months; in the cases of (iii), (v), and (vi), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or cancelled within 3 years. Where laws, regulations, and the securities regulatory authorities of the place in which the Company's shares are listed otherwise provide for the matters related to share repurchases, such provisions shall prevail.

After acquiring its own shares, the Company shall fulfill the information disclosure obligations in accordance with the regulations of the stock exchange where the Company's shares are listed and other securities regulatory rules.

Transfer of Shares

The Company shall not accept its own shares as the subject of a pledge.

Shares issued by the Company before its public offering of shares shall not be transferred within 1 year from the date of listing of the Company's shares on the stock exchange. Where laws, administrative regulations, or the CSRC and the Hong Kong Stock Exchange otherwise provide for the transfer of shares of the Company held by shareholders, such provisions shall prevail.

Directors, supervisors, and senior management personnel of the Company shall declare to the Company the shares they hold and any changes in such shares. During their term of office, the number of shares transferred each year shall not exceed 25% of the total number of shares they hold in the Company; the shares they hold shall not be transferred within 1 year from the date of listing of the Company's shares. Within six months after leaving office, the above-mentioned personnel shall not transfer the shares they hold in the Company. Where the listing rules of the place in which the Company's shares are listed otherwise provide for the restrictions on the transfer of the Company's shares, such provisions shall prevail.

SHAREHOLDERS AND GENERAL MEETING

Shareholders

Shareholders of the Company are those who legally hold the Company's shares and whose names (or titles) are registered in the register of members. The Company establishes the register of members based on the certificates provided by the securities registration and clearing institution, and the register of members is conclusive evidence of the shareholders' ownership of the Company's shares.

The original register of holders of H-shares is kept in Hong Kong for shareholders' inspection, but the Company may suspend the registration of shareholders in accordance with the applicable laws and regulations and the laws and regulations of the place where the Company's shares are listed.

Shareholders of the Company have the following rights:

(i) To receive dividends and other forms of profit distribution in accordance with the proportion of shares they hold;

(ii) To legally request, convene, chair, attend, or appoint a proxy to attend the general meeting and exercise the corresponding right to speak and vote;

(iii) To supervise the Company's operations, make suggestions, or ask questions;

(iv) To transfer, donate, or pledge the shares they hold in accordance with the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed, and these Articles of Association;

(v) To review and copy this Articles of Association, the register of members, the records of general meeting, the resolutions of the Board of Directors, the resolutions of the Board of Supervisors, and the financial accounting reports. Shareholders who meet the regulations may review the Company's accounting books and vouchers;

(vi) To participate in the distribution of the Company's remaining properties in the event of the Company's dissolution or liquidation, in accordance with the proportion of shares they hold;

(vii) To request the Company to purchase their shares in the event that they object to the general meeting resolutions on the Company's merger or division; and

(viii) Other rights stipulated by laws, administrative regulations, rules, securities regulatory rules of the place where the Company's shares are listed, or these Articles of Association.

If the resolutions of the general meeting or the Board of Directors are in violation of laws and administrative regulations, the shareholders have the right to request the People's Court to declare them invalid. If the procedures for convening the general meeting or the Board meetings, or the voting methods are in violation of laws, administrative regulations, or these Articles of Association, or if the resolution content is in violation of these Articles of Association, the shareholders have the right to request the People's Court to revoke the resolution within 60 days from the date of the resolution. However, this does not apply if the procedures for convening the general meeting or the Board meetings or the voting methods have only minor flaws that do not have a substantial impact on the resolution.

Shareholders who were not notified to attend the general meeting may request the People's Court to revoke the resolution within 60 days from the date they knew or should have known about the resolution; if the right to revoke is not exercised within one year from the date of the resolution, the right to revoke shall be ceased.

Shareholders of the Company undertake the following obligations:

(i) To comply with laws, administrative regulations, the Listing Rules and these Articles of Association;

(ii) To pay the share subscription amount in accordance with the shares they subscribe for and the method of subscription;

(iii) Except as otherwise provided by laws and regulations, not to withdraw share capital;

(iv) Not to abuse shareholders' rights to prejudice the interests of the Company or other shareholders; not to abuse the independent status of a legal person or the limited liability of shareholders to prejudice the interests of the Company's creditors; and

(v) Other obligations stipulated by laws, administrative regulations, the Listing Rules, and these Articles of Association.

If a shareholder of the Company abuses his or her rights and causes loss to the Company or other shareholders, he or she shall be liable for compensation in accordance with the law. If a shareholder of the Company abuses the independent status of the corporate entity and the limited liability of shareholders to evade debts and seriously harm the interests of the Company's creditors, he or she shall bear joint and several liability for the Company's debts.

General Provisions on General Meeting

The general meeting of the Company shall be composed of a meeting of all shareholders. The general meeting is the authority of the Company and shall exercise the following powers in accordance with the law:

(i) To elect and replace directors and supervisors, and to determine the remuneration of directors and supervisors;

(ii) To review and approve the report of the Board of Directors;

(iii) To review and approve the report of the Board of Supervisors;

(iv) To review and approve the Company's profit distribution plan and loss compensation plan;

(v) To resolve on the increase or decrease of the Company's registered capital;

(vi) To resolve on the issuance of corporate bonds or other securities and listing plans;

(vii) To resolve on the Company's merger, division, dissolution, liquidation, or change of corporate form;

(viii) To amend this Articles of Association;

(ix) To formulate and amend the rules of procedure for the general meeting, the meetings of the Board of Directors and the Board of Supervisors;

(x) To resolve on the engagement or dismissal of the accounting firm undertaking the business of audit on the Company;

(xi) To review and approve the guarantee matters stipulated in Article 47 of these Articles of Association;

(xii) To review matters concerning the purchase or sale of major assets exceeding 30% of the Company's latest audited total assets within one year;

(xiii) To review equity incentive plans and employee share ownership plans;

(xiv) To review matters concerning the Company's purchase of its own shares under the circumstances stipulated in (i) and (ii) above;

(xv) To review and approve changes in the use of funds raised; and

(xvi) To review other matters stipulated by laws, administrative regulations, departmental rules, the regulatory rules of the Hong Kong Stock Exchange, or these Articles of Association that shall be decided by the general meeting.

The general meeting may authorize the Board of Directors to make resolutions on the issuance of corporate bonds.

Except as otherwise provided by laws, administrative regulations, and departmental rules, the powers and functions of the general meeting mentioned above shall not be exercised by the Board of Directors or any other organizations or individuals on behalf of the general meeting by way of authorization.

The following guarantee of the Company shall be submitted to the general meeting for review after being reviewed and approved by the Board of Directors:

(i) Guarantees with a single amount exceeding 10% of the Company's latest audited net assets;

(ii) Guarantees provided by the Company and its controlled subsidiaries after the total amount of external guarantees exceeds 50% of the latest audited net assets;

(iii) Guarantees provided for guarantee objects with a gearing ratio exceeding 70%;

(iv) Guarantees provided by the Company to others within one year exceeding 30% of the latest audited total assets;

(v) Guarantees provided by the Company after the total amount of external guarantees exceeds 30% of the most recent audited total assets;

(vi) Guarantees provided for shareholders, effective controllers and their related parties; and

(vii) Other guarantee matters stipulated by laws, administrative regulations, rules, other normative documents, the laws and regulations of the place where the Company's shares are listed, and the Listing Rules.

For guarantee matters within the authority of the Board of Directors, in addition to being passed by more than half of all directors, they shall also be agreed upon by more than two-thirds of the directors attending the Board meeting; when the general meeting reviews the guarantee matters mentioned in (iv) above, it shall be passed by more than two-thirds of the voting rights held by the shareholders attending the meeting.

When the general meeting reviews the guarantee proposals for shareholders, effective controllers and their related parties, such shareholders or shareholders controlled by the effective controllers shall not participate in the voting on such proposals, and the voting shall be passed by more than half of the voting rights held by the other shareholders attending the

general meeting. If the Company provides guarantees for controlling shareholders, effective controllers and their related parties, the controlling shareholders, actual controllers, and their related parties shall also provide counter-guarantees.

If the Company provides guarantees for wholly-owned subsidiaries, or provides guarantees for controlled subsidiaries and other shareholders of the controlled subsidiaries provide guarantees in proportion to their equity interests without harming the Company's interests, the provisions of (i) to (iii) in the second paragraph of this article may be exempted.

The general meeting is divided into the annual general meeting and the extraordinary general meeting. The annual general meeting shall be held once a year and shall be held within 6 months after the end of the previous financial year.

In the event of any of the following circumstances, the Company shall convene an extraordinary general meeting within 2 months from the date of occurrence thereof:

(i) The number of directors is less than the number stipulated by the Company Law or two-thirds of the number stipulated in these Articles of Association;

(ii) The Company's unrecovered losses reach one-third of the total paid-up capital;

(iii) At the request of shareholders who individually or collectively hold more than 10% of the Company's shares;

(iv) The Board of Directors deems it necessary;

(v) The Board of Supervisors proposes to convene it; and

(vi) Other circumstances stipulated by laws, administrative regulations, departmental rules, the laws and regulations of the place where the Company's shares are listed, the Listing Rules or these Articles of Association.

Convening the General Meeting

With the consent of more than half of all independent directors, independent directors have the right to propose to the Board of Directors to convene an extraordinary general meeting. For the proposal of independent directors to convene an extraordinary general meeting, the Board of Directors shall, in accordance with the laws, administrative regulations, the laws and regulations of the place where the Company's shares are listed, the Listing Rules and these Articles of Association, provide a written response within 10 days after receiving the proposal, indicating whether it agrees or disagrees to convene an extraordinary general meeting. If the Board of Directors agrees to convene an extraordinary general meeting, it shall serve a notice of the general meeting within 5 days after making the board resolution; if the Board of Directors disagrees to convene an extraordinary general meeting, it shall state the reasons and make an announcement.

The Board of Supervisors has the right to propose to the Board of Directors to convene an extraordinary general meeting and shall submit the proposal to the Board of Directors in writing. The Board of Directors shall, in accordance with the laws, administrative regulations, the laws and regulations of the place where the Company's shares are listed, the Listing Rules and these Articles of Association, provide a written response within 10 days after receiving the proposal, indicating whether it agrees or disagrees to convene an extraordinary general meeting. If the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice of the general meeting within 5 days after making the board resolution. Any changes to the original proposal in the notice shall be subject to the consent of the Board of Supervisors. If the Board of Directors disagrees to convene an extraordinary general meeting or fails to respond within 10 days after receiving the proposal, it shall be deemed that the Board of Directors is unable or fails to perform its duty to convene the general meeting. The Board of Supervisors may convene and preside over the meeting on its own.

A shareholder or shareholders holding more than 10% of the Company's shares shall have the right to request the Board of Directors to convene an extraordinary general meeting and shall submit the request to the Board of Directors in writing. The Board of Directors shall, in accordance with the laws, administrative regulations, the laws and regulations of the place where the Company's shares are listed, the Listing Rules and these Articles of Association, provide a written response within 10 days after receiving the request, indicating whether it agrees or disagrees to convene an extraordinary general meeting. If the Board of Directors agrees to convene an extraordinary general meeting, it shall serve a notice for the general meeting within 5 days after making the board resolution. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. If the Board of Directors disagrees to convene an extraordinary general meeting or does not respond within 10 days after receiving the request, a shareholder or shareholders holding more than 10% of the Company's shares have the right to propose to the Board of Supervisors to convene an extraordinary general meeting and shall submit the request to the Board of Supervisors in writing. If the Board of Supervisors agrees to convene an extraordinary general meeting, it shall serve a notice for the general meeting within 5 days after receiving the request. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. If the Board of Supervisors does not serve a notice for the general meeting within the prescribed period, it shall be deemed that the Board of Supervisors does not convene and preside over the general meeting. A shareholder or shareholders holding more than 10% of the Company's shares continuously for more than 90 days may convene and preside over the meeting on their own.

If the Board of Supervisors or a shareholder decides to convene the general meeting on their own, they shall notify the Board of Directors in writing before serving the notice of the general meeting and, if required, file with the stock exchange in accordance with the securities regulatory rules of the place where the Company's shares are listed. The proportion of shares held by the convening shareholder shall not be less than 10% before the announcement of the general meeting resolution. The Board of Supervisors or the convening shareholder shall submit relevant supporting materials in accordance with the requirements of the stock exchange where the Company's shares are listed when serving the notice of the general meeting and the announcement of the general meeting resolution.

For the general meeting convened by the Board of Supervisors or shareholders on their own, the Board of Directors and the secretary to the Board shall cooperate. The Board of Directors shall provide the register of members as at the equity registration date.

The necessary expenses for the general meeting convened by the Board of Supervisors or shareholders on their own shall be borne by the Company.

Proposals and Notices of the General Meeting

The content of the proposal shall be within the scope of the powers of the general meeting, with clear agenda items and specific matters to be resolved, and shall comply with the relevant provisions of laws, administrative regulations, the laws and regulations of the place where the Company's shares are listed, the Listing Rules, and these Articles of Association.

For convening a general meeting of the Company, the Board of Directors, the Board of Supervisors, and a shareholder or shareholders holding more than 1% of the Company's shares have the right to propose it to the Company.

A shareholder or shareholders holding more than 1% of the Company's shares may submit an interim proposal in writing to the convener 10 days before the date of the general meeting. The convener shall issue a supplementary notice of the general meeting within 2 days after receiving the proposal, notify all shareholders of the content of the interim proposal, and, in accordance with the requirements of the securities regulatory authorities of the place where the Company's shares are listed, announce the content of the temporary proposal and submit the interim proposal for review at the general meeting. However, this does not apply if the interim proposal violates the laws, administrative regulations, or these Articles of Association, or is not within the scope of the powers of the general meeting. The Company shall not increase the shareholding ratio of the shareholders proposing interim proposals.

The convener shall notify all shareholders 20 days before the date of the annual general meeting and 15 days before the date of the extraordinary general meeting.

The notice of the general meeting shall include the following contents:

(i) The time, place, and duration of the meeting;

(ii) The matters and proposals to be considered at the meeting;

(iii) A conspicuous statement that all shareholders are entitled to attend the general meeting and may appoint a proxy in writing to attend the meeting and vote, and that the proxy does not have to be a shareholder of the Company;

(iv) The date of registration of the shareholdings of the shareholders entitled to attend the general meeting;

(v) The name and telephone number of the permanent contact person for the meeting; and

(vi) The voting time and procedures for online or other methods (if any).

The notice or supplementary notice of the general meeting shall fully and completely disclose all the specific contents of the proposals and provide all the information or explanations necessary for shareholders to make reasonable judgments on the matters to be discussed.

Convening the General Meeting

All shareholders or their proxies registered on the equity registration date shall be entitled to attend the general meeting, speak and exercise their voting rights at the meeting in accordance with relevant laws, regulations, the laws and regulations of the place where the Company's shares are listed, the Listing Rules, and these Articles of Association (unless individual shareholders are required by the laws and regulations or the Listing Rules of the place where the Company's shares are listed to waive their voting rights on individual matters).

Individual shareholders attending the meeting in person shall present their identity card or other valid documents or proof that can indicate their identity; proxies attending the meeting on behalf of others shall present their valid identity documents and the shareholders' proxy forms.

Corporate shareholders shall be represented by the legal representative or a proxy appointed by the legal representative to attend the meeting. The legal representative attending the meeting shall present his or her identity card and valid proof of his or her qualification as the legal representative; the proxy attending the meeting shall present his or her identity card and the power of attorney, in written, issued by the legal representative of the corporate shareholder (except for shareholders who are recognized clearing houses as defined from time to time by the relevant ordinances under the laws of Hong Kong or laws and regulations of the place where the Company's shares are listed (hereinafter referred to as "recognized clearing houses") and their proxies).

Partnership shareholders shall be represented by their managing partner (including the proxy appointed by the managing partner) or an agent appointed by them. The managing partner (including the proxy appointed by the managing partner) attending the meeting shall present his or her identity card and valid proof of his or her qualification as the managing partner (including the proxy appointed by the managing partner); the proxy attending the meeting shall present his or her identity card and the written power of attorney issued by the managing partner of the partnership shareholder.

Where a shareholder is a recognized clearing house or its agent, such shareholder may appoint one or more persons whom it considers appropriate to act as its representative at any general meeting or creditors' meeting. However, if more than one person is appointed, the letter of authorization shall specify the number and class of shares involved for each such person. The letter of authorization shall be signed by an authorized officer of the recognized clearing

house. Persons appointed in this manner may exercise the rights on behalf of the recognized clearing house (or its agent) (without having to present shareholding certificates, notarized authorizations, and/or further evidence of their formal authorization), and shall be entitled to the same statutory rights as other shareholders, including the rights to speak and vote, as if such persons were individual shareholders of the Company.

The proxy authorisation issued by a shareholder appointing a proxy to attend the general meeting shall contain the following particulars:

(i) The name or title of the appointor, the class of shares held by him or her in the Company, and the number of such shares;

(ii) The name or title of the proxy;

(iii) The specific instructions of the shareholder, including the instructions to vote in favor of, against, or abstain from voting on each item on the agenda of the general meeting;

(iv) The date of issue and the period of validity of the proxy form; and

(v) The signature (or seal) of the appointor. If the appointor is a non-individual shareholder, the seal of the entity shall be affixed.

The general meeting shall be presided over by the chairman of the Board. If the chairman is unable to perform his or her duties or fails to perform his or her duties, a director shall be jointly elected by more than half of the directors to preside over the meeting. For the general meeting convened by the Board of Supervisors on its own, it shall be presided over by the chairman of the Board of Supervisors. If the chairman of the Board of Supervisors is unable to perform his or her duties or fails to perform his or her duties, a supervisor shall be jointly elected by more than half of the supervisors to preside over the meeting. For the general meeting convened by shareholders on their own, a representative shall be elected by the convener to preside over the meeting. If the presiding officer of the general meeting violates these Articles of Association or the rules of procedure in such a way that the general meeting cannot continue, with the consent of more than half of the shareholders present at the general meeting who have voting rights, the general meeting may elect one person to act as the presiding officer to continue the meeting.

Voting at the General Meeting

Resolutions of the general meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution of the general meeting shall be passed by more than half of the voting rights held by the shareholders present at the general meeting. A special resolution of the general meeting shall be passed by more than two-thirds of the voting rights held by the shareholders present at the general meeting.

The following matters shall be passed by an ordinary resolution of the general meeting:

(i) The work reports of the Board of Directors and the Board of Supervisors;

(ii) The profit distribution plan and loss compensation plan proposed by the Board of Directors;

(iii) The appointment and removal of members of the Board of Directors and the Board of Supervisors and their remuneration and payment methods; and

(iv) Other matters not stipulated by laws, administrative regulations, the laws and regulations of the place where the Company's shares are listed, the Listing Rules, or these Articles of Association to be passed by a special resolution.

The following matters shall be passed by a special resolution of the general meeting:

(i) Increase or decrease of the Company's registered capital;

(ii) Division, spin-off, merger, dissolution, liquidation, and change of corporate form of the Company;

(iii) Amendment to these Articles of Association;

(iv) Purchase or sale of material assets or guarantee amounts exceeding 30% of the Company's total assets of its latest audited accounts within one year;

(v) Share incentive schemes; and

(vi) Other matters stipulated by laws, administrative regulations, the laws and regulations of the place where the Company's shares are listed, the Listing Rules, or these Articles of Association, and other matters that the general meeting deems to have a significant impact on the Company and are required to be passed by a special resolution.

Shareholders shall exercise their voting rights in accordance with the number of shares they represent, with one vote per share.

The shares held by the Company in itself shall not have voting rights, and such shares shall not be counted into the total number of shares with voting rights present at the general meeting. In accordance with the applicable laws, administrative regulations, departmental rules, normative documents, the laws and regulations of the place where the Company's shares are listed, and the Listing Rules, if any shareholder is required to abstain voting on any individual resolution or is restricted to vote only in favor or only against, any vote made by the shareholder (or its proxy) in violation of the relevant regulations or restrictions shall not be counted in the voting results.

If a shareholder purchases shares with voting rights in violation of Articles 63(1) and (2) of the Securities Law of the People's Republic of China, the shares exceeding the prescribed ratio shall not be entitled to exercise voting rights within 36 months from the date of purchase, and shall not be counted into the total number of shares with voting rights present at the general meeting.

When the general meeting considers matters concerning connected transactions, connected shareholders shall not participate in the voting, and the number of shares with voting rights represented by them shall not be counted into the total number of valid votes; the announcement of the general meeting resolution shall fully disclose the voting status of non-connected shareholders.

BOARD OF DIRECTORS

Directors

The directors of the Company shall be natural persons. A person who falls under any of the following circumstances shall not be appointed as a director of the Company:

(i) Lacking civil capacity or having restricted civil capacity;

(ii) Having been sentenced to criminal penalty for bribery, embezzlement, misappropriation of property, or other acts that disrupt the socialist market economic order, or having been deprived of political rights due to a crime, and the term of enforcement has not exceeded 5 years, or having been granted a suspended sentence, and the term of the suspended sentence has not exceeded 2 years from the date of completion of the probation period;

(iii) Having served as a director or manager of a company or enterprise that has undergone bankruptcy liquidation and being personally responsible for the bankruptcy of that company or enterprise, and not having exceeded 3 years from the date of completion of the bankruptcy liquidation;

(iv) Having served as the legal representative of a company or enterprise whose business license was revoked or ordered to close due to illegal activities and being personally responsible, and not having exceeded 3 years from the date of revocation of the business license or closure order;

(v) Individuals who have been classified by the People's Court as bad faith defendant due to the failure to repay a significant amount of debt that is outstanding by the due date;

(vi) Having been subject to administrative penalties imposed by the CSRC in the past 3 years, or having been subject to market entry ban imposed by the CSRC for an unexpired term;

(vii) Having been publicly reprimanded or criticized more than twice by the Stock Exchange in the past 3 years;

(viii) Having been publicly determined by a stock exchange as unfit to serve as a director or senior management of a listed company for an unexpired term; and

(ix) Other contents stipulated by laws, administrative regulations, departmental rules, or the laws and regulations of the place where the Company's shares are listed and the Listing Rules.

Directors shall be elected or replaced by the general meeting and may be removed from office by an ordinary resolution at the general meeting before the expiration of their term of office. The removal of a director by an ordinary resolution does not affect the director's right to claim compensation under any contract. The term of office of a director is 3 years, and upon expiration of the term, the director may be re-elected for consecutive terms.

Directors may concurrently hold the position of senior management, but the total number of directors who concurrently hold the position of general manager or other senior management positions shall not exceed half of the total number of directors of the Company. The Board of Directors shall not have any employee-representative directorship.

A director may resign before the expiration of his or her term of office. Resignation of a director shall be made by submitting a written report to the Board of Directors. In the event that the Board of Directors and its special committees of the Company fall below the statutory minimum due to the resignation of a director, or in the event that the number of independent directors falls below the statutory requirement due to the resignation of an independent director, until the re-elected director assumes his/her office, the original director shall still perform the duties of a director in accordance with the laws, administrative regulations, departmental rules, normative documents, laws and regulations of the place where the Company's shares are listed as well as the Listing Rules and the provisions of these Articles of Association.

Board of Directors

The Company shall establish a Board of Directors, which shall consist of seven directors, including three independent directors. The Board of Directors shall have one chairman, who shall be elected by more than half of all directors.

The Board of Directors shall exercise the following powers:

(i) To convene the general meeting and report to the general meeting;

(ii) To implement the resolutions of the general meeting;

(iii) To determine the Company's business plan and investment programs;

(iv) To formulate the Company's profit distribution plan and loss compensation plan;

(v) To formulate plans regarding the increase or reduction of the Company's registered capital, the issuance of bonds or other securities, and listing;

(vi) To draft plans for major acquisitions, the purchase of the Company's own shares under the circumstances stipulated in Article 25.1. (i) and (ii) of these Articles of Association, or the merger, division, dissolution, and change of corporate form of the Company;

(vii) Within the scope of authorization by the general meeting, to decide on matters such as the Company's external investments, purchase and sale of assets, asset mortgages, external guarantees, entrusted financial management, connected transactions, and external donations;

(viii) To determine the establishment of the Company's internal management bodies;

(ix) To make decision for appointing or dismissing the Company's general manager, secretary to the Board, and other senior management personnel, and to determine their remuneration and rewards and punishments; to appoint or dismiss the Company's financial officer-in-charge and other senior management personnel based on the nomination of the general manager, and to determine their remuneration and rewards and punishments;

(x) To formulate the Company's basic management systems;

(xi) To draft amendments to these Articles of Association;

(xii) To manage the Company's information disclosure matters;

(xiii) To propose to the general meeting the engagement or replacement of the accounting firm undertaking the Company's audit;

(xiv) To receive the work report of the Company's general manager and inspect the work of the general manager;

(xv) To make resolutions on the Company's purchase of its own shares under the circumstances stipulated in Article 25.1. (iii), (v) and (vi) of these Articles of Association above; and

(xvi) Other powers stipulated by laws, administrative regulations, departmental rules, the laws and regulations of the place where the Company's shares are listed, the Listing Rules, or these Articles of Association, and those granted by the general meeting.

If a director has an associated relationship with an enterprise or individual involved in a resolution of the Board meeting, such director shall promptly report to the Board of Directors in writing. A director with an associated relationship shall not exercise voting rights on such resolution, nor shall he or she act as a proxy for other directors to exercise voting rights. The Board meeting with an associated relationship may be held with the attendance of more than half of the unrelated directors, and the resolution of the Board meeting shall be passed by a majority of the unrelated directors. If the number of unrelated directors attending the Board meeting is less than three, the matter shall be submitted to the general meeting for review.

The Company's Board of Directors shall establish an Audit Committee and, other special committees such as strategy, nomination, remuneration and appraisal, etc., as necessary, to perform their duties in accordance with these Articles of Association and the authorization of the Board of Directors. The proposals of the special committees shall be submitted to the Board of Directors for review and decision. The working procedures of the special committees shall be formulated by the Board. All members of the special committees shall consist of directors, among whom the Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee shall have a majority of independent directors serving as the convenors of such committees, and the convenor of the Audit Committee shall be a professional in accounting. The Nomination Committee shall have one director of a different gender.

General Manager and Senior Management

The Company shall have one general manager, nominated by the chairman of the Board and appointed or dismissed by the Board of Directors. The Company shall have several deputy general managers, one chief medical officer, one financial officer-in-charge, and one secretary to the Board. The deputy general managers, chief medical officer and the financial officer-in-charge shall be nominated by the general manager, and the secretary to the Board shall be nominated by the chairman of the Board, all of whom shall be appointed or dismissed by the Board of Directors.

The provisions of the Articles of Association regarding the circumstances under which a person shall not serve as a director and the regulations on the system for managing the staff attrition shall also apply to senior management personnel. The provisions of these Articles of Association regarding the fiduciary duties and diligence obligations of Directors shall also apply to senior management personnel.

The term of office of the general manager shall be 3 years, and the general manager may be reappointed for consecutive terms.

The general manager shall be accountable to the Board of Directors and exercise the following powers:

(i) To preside over the Company's production, operation, and management, organize and implement the resolutions of the Board of Directors, and report to the Board of Directors on his work;

(ii) To organize and implement the Company's annual business plan and investment programs;

(iii) To draft plans for the establishment of the Company's internal management organization;

(iv) To draft the Company's basic management systems;

(v) To formulate the Company's specific regulations;

(vi) To propose to the Board of Directors the appointment or dismissal of the Company's financial officer-in-charge and deputy general managers;

(vii) To appoint or dismiss responsible management personnel other than those decided by the Board of Directors;

(viii) To appoint or dismiss responsible management personnel other than those whose should be appointed or dismissed by the Board of Directors; and

(ix) Other powers granted by these Articles of Association or the Board of Directors.

The Company shall have a secretary to the Board, who shall be responsible for the preparation of the general meetings and the Board meetings, the custody of documents, the management of the Company's shareholders' information, and the handling of information disclosure and other related matters.

Senior management personnel of the Company shall faithfully perform their duties and safeguard the maximum interests of the Company and all shareholders. If senior management personnel fail to faithfully perform their duties or violate their fiduciary duties, causing damage to the interests of the Company and shareholders, they shall be liable for compensation in accordance with the law.

BOARD OF SUPERVISORS

Supervisors

The provisions of this Articles of Association regarding the circumstances under which a person shall not serve as a director shall also apply to supervisors. Directors, general managers, and other senior management personnel shall not concurrently serve as supervisors.

Supervisors shall comply with the provisions of laws, administrative regulations, departmental rules, normative documents, the laws and regulations of the place where the Company's shares are listed, the Listing Rules and these Articles of Association. The provisions of these Articles of Association regarding the fiduciary duties and diligence obligations of directors shall also apply to supervisors.

The term of office of a Supervisor shall be 3 years. A Supervisor may be re-elected for consecutive terms upon expiration of his or her term of office.

If a Supervisor is not re-elected upon expiration, or if a Supervisor resigns during his or her term causing the number of Supervisors to fall below the statutory minimum, the original Supervisor shall still perform his or her duties as a Supervisor in accordance with laws, administrative regulations, the Listing Rules and these Articles of Association until the newly elected supervisor takes office.

If a supervisor violates the laws, administrative regulations, departmental rules, the Listing Rules or these Articles of Association in performing his or her duties for the Company and causes loss to the Company, he or she shall be liable for compensation.

Board of Supervisors

The Company shall establish a Board of Supervisors. The Board of Supervisors shall consist of 3 Supervisors, including one chairman. The chairman of the Board of Supervisors shall be elected by a majority of supervisors. The chairman of the Board of Supervisors shall convene and preside over the meetings of the Board of Supervisors. If the chairman of the Board of Supervisors is unable to perform his or her duties or fails to perform his or her duties, one Supervisor shall be jointly elected by a majority of the Supervisors to convene and preside over the meeting of the Board of Supervisors.

The Board of Supervisors shall include representatives of shareholders and an appropriate proportion of employee representatives of the Company, among whom the proportion of employee representatives shall not be less than one-third. The employee representatives in the Board of Supervisors shall be elected democratically by the Company's employees through staff congresses, staff representative meetings, or other forms. The Board of Supervisors shall exercise the following powers:

(i) To review and provide written opinions on the Company's regular reports compiled by the Board of Directors;

(ii) To inspect the Company's finances;

(iii) To supervise the conduct of Directors and senior management personnel in performing their duties for the Company, and to propose the removal of directors and senior management personnel who violate laws, administrative regulations, the Listing Rules or these Articles of Association, or the resolutions of the general meeting;

(iv) If the Board of Supervisors finds that Directors or senior management personnel violate laws, administrative regulations, normative documents or these Articles of Association, it shall report to the Board of Directors or the general meeting;

(v) To request rectification if the conduct of Directors or senior management personnel harms the interests of the Company;

(vi) To propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting if the Board of Directors fails to perform its duty to convene and preside over the general meeting as stipulated in the Company Law;

(vii) To propose to the general meeting;

(viii) In accordance with Article 189 of the Company Law, to initiate litigation against Directors and senior management personnel;

(ix) To conduct investigations if it identifies any abnormality in the Company's operations; if necessary, it may engage accounting firms, law firms, and other professional institutions to assist in its work, at the Company's expense;

(x) To attend Board meetings and to inquire about or make suggestions on the matters resolved by the Board of Directors;

(xi) To request the Directors and senior management personnel to submit reports on the performance of their duties; and

(xii) Other powers stipulated by the laws, administrative regulations, departmental rules, the laws and regulations of the place where the Company's shares are listed, the Listing Rules or these Articles of Association, or as granted by the general meeting.

The Board of Supervisors shall hold at least one meeting every six months. A supervisor may propose to convene an interim meeting of the Board of Supervisors. The voting of resolutions of the Board of Supervisors shall be on a one-person-one-vote basis. Resolutions of the Board of Supervisors shall be passed by a majority of the Supervisors.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial Accounting System

The Company shall formulate its financial accounting system in accordance with the laws, administrative regulations, relevant national departments, the laws and regulations of the place where the Company's shares are listed, and the Listing Rules.

The Company shall not maintain any accounting books other than the statutory ones. The Company's assets shall not be deposited or stored in any account opened in any individual's name.

Profit Distribution

When distributing the after-tax profits of the current year, the Company shall appropriate 10% of the profits to the Company's statutory surplus reserve. If the accumulated amount of the Company's statutory surplus reserve exceeds 50% of its registered capital, no further appropriation may be made. If the Company's statutory surplus reserve is insufficient to cover the losses of previous years, the Company shall first use the current year's profits to cover the losses before any appropriation of the statutory surplus reserve as stipulated above.

After the Company has appropriated its statutory surplus reserve from the profits after tax, it may, upon a resolution of the general meeting, appropriate a discretionary surplus reserve from the profits after tax. The after-tax profits remaining after the Company has covered its losses and appropriated its surplus reserves shall be distributed in proportion to the number of shares held by the shareholders. In the event that a general meeting violates the Company Law by distributing profits to shareholders, the shareholders shall refund the profits distributed in breach of the regulations to the Company; if this causes loss to the Company, the shareholders and the Directors, Supervisors, and senior management personnel who are responsible shall be liable for compensation. The shares held by the Company in itself shall not participate in the distribution of profits.

The Company's surplus reserve shall be used to cover the Company's losses, expand the Company's production and operations, or increase its registered capital. To cover losses with the surplus reserve, the discretionary surplus reserve and the statutory surplus reserve shall first be used; if still insufficient, the capital surplus reserve may be used in accordance with the regulations. When the statutory surplus reserve is converted into registered capital, the retained balance of such surplus reserve shall not be less than 25% of the Company's registered capital before the conversion.

Internal Audit

The Company shall implement an internal audit system, which specifies the leadership structure, responsibilities and authorities, staffing, financial support, application of audit results, and accountability for internal audit work. The internal audit system of the Company shall be implemented after approval by the Board of Directors and shall be disclosed externally. The internal audit organization shall be accountable to the Board of Directors.

Engagement of an Accounting Firm

The Company shall engage an accounting firm that complies with the Securities Law of the People's Republic of China and other relevant laws and regulations, as well as the securities regulatory rules of the place where the Company's shares are listed, to conduct audit of financial statements, verification of net assets, and other related consultancy services. The term of engagement shall be one year, and the engagement may be renewed.

The engagement or dismissal of an accounting firm by the Company shall be decided by the general meeting, and the Board of Directors shall not appoint an accounting firm prior to the decision of the general meeting.

The Company shall ensure that the accounting vouchers, accounting books, financial accounting reports, and other accounting materials provided to the engaged accounting firm are true and complete, and shall not refuse delivery, or conceal or misrepresent them.

The audit fees of the accounting firm shall be determined by the general meeting.

When the Company terminates or does not renew the engagement of an accounting firm, it shall notify the accounting firm 10 days in advance. When the general meeting votes on the dismissal of an accounting firm, the accounting firm shall be allowed to present its opinions.

If an accounting firm proposes to resign, it shall explain to the general meeting whether there are any irregularities in the Company.

MERGER, DIVISION, INCREASE AND REDUCTION OF CAPITAL, DISSOLUTION, AND LIQUIDATION

Merger, Division, Increase and Reduction of Capital

A merger of companies can be by absorption or by establishment of a new entity.

If one company absorbs another company, it is a merger by absorption, and the absorbed companies shall be dissolved. If two or more companies merge to form a new company, it is a merger by creation, and all merging parties shall be dissolved.

In the event of a merger of companies, the merging parties shall enter into a merger agreement and compile a balance sheet and a checklist of assets. The Company shall notify its creditors of the merger within 10 days from the date of the resolution on the merger and make an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days. Within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if the notice has not been received, the creditors may request the Company to settle the debts or provide corresponding guarantees.

When the Company involves a merger, the claims of debts and liabilities of the merging parties shall be inherited by the surviving company or the newly established company after the merger.

When the Company is divided, its assets shall be divided accordingly.

When the Company is divided, the parties involved shall enter into a division agreement and compile a balance sheet and a checklist of assets. The Company shall notify its creditors within 10 days from the date of the resolution on the division and announce it in the newspaper or the National Enterprise Credit Information Publicity System within 30 days.

When the Company is merged or divided, and there is a change in the registration, it shall lawfully apply for a change of registration with the company registration authority. If the company is dissolved, it shall lawfully apply for cancellation of registration. If a new company is established, it shall lawfully apply for registration of establishment.

When the Company increases or decreases its registered capital, it shall lawfully apply for a change of registration with the company registration authority.

Dissolution and Liquidation

The Company shall be dissolved for the following reasons:

(i) The occurrence of the dissolution events stipulated in the Articles of Association (if any);

(ii) Resolution of the general meeting to dissolve;

(iii) Dissolution is required due to the Company's merger or division;

(iv) The business license is revoked by law, the Company is ordered to be closed down or revoked; and

(v) The Company's operations and management encounter serious difficulties, and its continued existence would cause significant losses to the shareholders' interests, which cannot be resolved through other means. A shareholder holding more than 10% of the total voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

If the Company encounters any of the dissolution events mentioned above, it shall display the reasons for dissolution through the National Enterprise Credit Information Publicity System within 10 days.

If the Company is dissolved due to the occurrence of the events mentioned in (i) and (ii) above, and has not yet distributed the Company's assets to the shareholders, the Company may continue to exist by amending this Articles of Association or by resolution of the general meeting. Any amendment to this Articles of Association or resolution made by the general meeting in accordance with the provisions of the preceding paragraph shall be passed by more than two-thirds of the voting rights held by the shareholders present at the general meeting.

If the Company is dissolved due to the occurrence of the events mentioned in (i), (ii), (iv), or (v) above, it shall be liquidated pursuant to Article 204 of this Articles of Association. The directors shall be the liquidators of the Company and shall establish a liquidation group to commence liquidation within 15 days from the occurrence of the dissolution event. The liquidation group shall be composed of directors, unless otherwise stipulated in this Articles of Association or resolved by the general meeting to select other persons. If the Company is dissolved due to the occurrence of the event mentioned in (iv) above, the department or company registration authority that made the decision to revoke the business license, order the Company to close down, or revoke the Company may apply to the People's Court to appoint relevant persons to form a liquidation group to commence liquidation.

The liquidation group shall notify the creditors within 10 days from the date of its establishment and shall announce it in the newspaper or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall declare their claims to the liquidation group within 30 days from the date of receiving the notice, and those who have not received the notice may declare their claims within 45 days from the date of the announcement.

When declaring claims, creditors shall specify the relevant matters of the claims and provide proof. The liquidation group shall register the claims.

During the period for declaration of claims, the liquidation group shall not make repayments to the creditors.

After the liquidation group has liquidated the Company's assets, compiled a balance sheet and a checklist of assets, it shall formulate a liquidation plan and submit it to the general meeting or the People's Court for confirmation. During the liquidation period, the Company shall continue to exist but shall not engage in any business activities unrelated to the liquidation. The Company's assets shall not be distributed to the shareholders before the claims are settled in accordance with the provisions of the preceding paragraph.

If the liquidation group discovers, after liquidating the Company's assets, compiling a balance sheet and a checklist of assets, that the Company's assets are insufficient to repay its debts, it shall apply to the People's Court for bankruptcy declaration in accordance with the law. After the People's Court accepts the bankruptcy application, the liquidation group shall transfer the liquidation matters to the bankruptcy administrator appointed by the People's Court.

After the Company's liquidation is completed, the liquidation group shall prepare a liquidation report, submit it to the general meeting or the People's Court for confirmation, and file it with the company registration authority to apply for the cancellation of the Company's registration and announce the termination of the Company.

If the Company is declared bankrupt by law, it shall be liquidated in accordance with the relevant laws on enterprise bankruptcy.

Amendment of the Articles of Association

The Company shall amend its Articles of Association under any of the following circumstances:

(i) After the amendment of the Company Law or relevant laws, administrative regulations, departmental rules, normative documents, or the laws and regulations of the place where the Company's shares are listed, and the Listing Rules, the provisions of the Articles of Association conflict with the amended laws, administrative regulations, departmental rules, normative documents, or the laws and regulations of the place where the Company's shares are listed, and the Listing Rules;

(ii) Changes in the Company's situation that are inconsistent with the matters recorded in the Articles of Association; and

(iii) Resolution of the general meeting to amend the Articles of Association.

The matters of amendment to the Articles of Association passed by the general meeting shall be approved by the competent authority if required; if they involve matters of company registration, the change of registration shall be handled in accordance with the law.

The Board of Directors shall amend this Articles of Association in accordance with the resolution of the general meeting on the amendment of the Articles of Association and the approval opinions of the competent authorities.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was established under the laws of the PRC as a limited liability company on April 3, 2019. On March 23, 2023, our Company was converted to a joint stock company with limited liability under the PRC Company Law. As of the Latest Practicable Date, the registered share capital of our Company was RMB396,846,576.

We have established a place of business in Hong Kong at Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, and was registered with the Companies Registry in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 2, 2025. Ms. Ng Wai Kam, our joint company secretary, has been appointed as the authorized representative of our Company for the acceptance of service of process and notice in Hong Kong. Our address for acceptance of service of process is Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

As our Company was incorporated in the PRC, our operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices V and VI, respectively.

2. Changes in Share Capital of our Company

See "History, Development and Corporate Structure", there has been no alteration in our share capital within the two years immediately preceding the date of publication of this document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the section headed "History, Development and Corporate Structure" and note 1 to the Accountant's Report as set out in Appendix I to this document.

There had been no alteration in the total issued share capital of our subsidiaries during the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on May 13, 2025, it was resolved, among others:

(a) our H Shares to be [**REDACTED**] on the Stock Exchange be issued;

(b) the number of H Shares to be issued pursuant to the [**REDACTED**], and the grant to the [**REDACTED**] of the [**REDACTED**] of not more than 15% of the number of H Shares issued pursuant to the [**REDACTED**];

(c) subject to the completion of the [**REDACTED**], the adoption of the Articles of Association which shall become effective on the [**REDACTED**], and authorization to our Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules; and

(d) authorization of our Board or its authorized persons to handle all matters relating to, among other things, the [**REDACTED**] and the [**REDACTED**].

5. Restrictions on Repurchase

See "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of Articles of Association" for details.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us within the two years preceding the date of this document and are or may be material:

(a) [**REDACTED**].

2. Intellectual Property Rights of Our Group

As of the Latest Practicable Date, our Company had registered the following intellectual property rights which were material to our business.

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we considered to be material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
1. . . .		5	our Company	PRC	8336149	June 20, 2033
2. . . .		5	our Company	PRC	76734730	August 6, 2034
3. . . .		5	our Company	PRC	76728800	July 27, 2034
4. . . .		5	our Company	PRC	40950279	May 20, 2030
5. . . .		10	Tianjin Hemay Pharmaceutical	PRC	40957028	September 6, 2030
6. . . .		35	Tianjin Hemay Pharmaceutical	PRC	40957035	August 27, 2030
7. . . .		40	Tianjin Hemay Pharmaceutical	PRC	40943839	August 27, 2030
8. . . .		42	Tianjin Hemay Pharmaceutical	PRC	40951258	August 27, 2030
9. . . .		44	Tianjin Hemay Pharmaceutical	PRC	40951264	May 20, 2030
10 . .		5	our Company	Hong Kong	306792238	January 21, 2035
11 . .		35	our Company	Hong Kong	306792256	January 21, 2035

(b) Patents

As of the Latest Practicable Date, we had registered, or had applied for registration of, the following patents which we considered to be material to our business:

#	Product	Application/Patent Number (Region)	Patent Name (EN/CH)	Nature & Scope (EN)	Patent Type	Patent Owner	Patent Inventor	Patent Status	Application/ Expiration date
1 . .	Mufemilast	AU2010246749 (Australia)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (psoriasis, COPD, atopic dermatitis, ulcerative colitis, Crohn's disease), compound preparation methods	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
2 . .	Mufemilast	BRP11012770 (Brazil)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (psoriasis, COPD, atopic dermatitis, ulcerative colitis, Crohn's disease), compound preparation methods	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
3 . .	Mufemilast	CA2761845 (Canada)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (psoriasis, COPD, atopic dermatitis, ulcerative colitis, Crohn's disease), compound preparation methods	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
4 . .	Mufemilast	CN201711006515.2 (PRC)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (psoriasis, COPD, atopic dermatitis, ulcerative colitis, Crohn's disease), compound preparation methods	Invention	Our Company, Tianjin Hemay Pharmaceutical, Xiajiang Hemay	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
5 . .	Mufemilast	EP2010774565 (Europe)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (psoriasis, COPD, atopic dermatitis, ulcerative colitis, Crohn's disease), compound preparation methods	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
6 . .	Mufemilast	JP2012510105 (Japan)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (psoriasis, COPD, atopic dermatitis, ulcerative colitis, Crohn's disease), compound preparation methods	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030

#	Product	Application/Patent Number (Region)	Patent Name (EN/CH)	Nature & Scope (EN)	Patent Type	Patent Owner	Patent Inventor	Patent Status	Application/ Expiration date
7 . .	Mufemilast	KR1020117028599 (Korea)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (psoriasis, COPD, atopic dermatitis, ulcerative colitis, Crohn's disease), compound preparation methods	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
8 . .	Mufemilast	MX2011012122 (Mexico)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (psoriasis, COPD, atopic dermatitis, ulcerative colitis, Crohn's disease), compound preparation methods	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
9 . .	Mufemilast	RU2011150786 (Russia)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (psoriasis, COPD, atopic dermatitis, ulcerative colitis, Crohn's disease), compound preparation methods	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
10 .	Mufemilast	US13/320533 (U.S.)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (COPD), compound preparation methods	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
11 .	Mufemilast	US14/281289 (U.S.)	Thiophene derivatives (噻吩衍生物)	Indications (atopic dermatitis, psoriasis, ulcerative colitis, Crohn's disease)	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
12 .	Mufemilast	ZA201108349 (South Africa)	Thiophene derivatives (噻吩衍生物)	Compounds, indications (psoriasis, COPD, atopic dermatitis, ulcerative colitis, Crohn's disease), compound preparation methods	Invention	Our Company	Dr. Zhang, Dr. Zeng, Gao Yifei	Granted	May 14, 2030
13 . .	Mufemilast	CN202411628591.7 (PRC)	Treatment of moderate to severe plaque psoriasis	Indication (psoriasis)	Invention	Our Company	Dr. Zhang, Li Xingwen, Chang Yukun, Zhang Donglei	Pending	Nov 14, 2024
14 . .	Mufemilast	CN202411628595.5 (PRC)	Treatment of Behçet's disease	Indication (Behçet's disease)	Invention	Our Company	Dr. Zhang, Dr. Huo, Mr. Chen, Song Dan, Zhang Yumei	Pending	Nov 14, 2024
15 .	Hemay007	US11/868502 (U.S.)	Piperidine-2,6-dione derivatives and their use as tumor necrosis factor inhibitors (哌啶-2,6-二酮衍生物及其作為腫瘤壞死因子抑制劑的用途)	Compounds, compound preparation methods	Invention	Our Company, Tianjin Hemay Pharmaceutical	Dr. Zhang	Granted	Oct 31, 2029

#	Product	Application/Patent Number (Region)	Patent Name (EN/CH)	Nature & Scope (EN)	Patent Type	Patent Owner	Patent Inventor	Patent Status	Application/ Expiration date
16 .	Hemay007	AU2017366514 (Australia)	Piperidine-2,6-dione derivative and treatment for ulcerative colitis (哌啶-2,6-二酮衍生物及潰瘍性結腸炎的治療)	Indications (ulcerative colitis)	Invention	Our Company, Tianjin Hemay Pharmaceutical	Dr. Zeng, Dr. Zhang	Granted	Nov 23, 2037
17 .	Hemay007	CA3045703 (Canada)	Piperidine-2,6-dione derivatives and ulcerative colitis treating (哌啶-2,6-二酮衍生物與潰瘍性結腸炎的治療)	Indications (ulcerative colitis)	Invention	Our Company, Tianjin Hemay Pharmaceutical	Dr. Zeng, Dr. Zhang	Granted	Nov 23, 2037
18 .	Hemay007	CN2017111184758.5 (PRC)	Piperidine-2,6-dione derivatives and their use as tumor necrosis factor inhibitors (哌啶-2,6-二酮衍生物及其在治療潰瘍性結腸炎中的用途)	Compounds, indications (ulcarative colitis)	Invention	our Company, Tianjin Hemay Pharmaceutical	Dr. Zeng, Dr. Zhang	Pending	Nov 23, 2017
19 .	Hemay007	EP2017874499 (Europe)	Piperidine-2,6-dione derivative and treatment for ulcerative colitis (哌啶-2,6-二酮衍生物及潰瘍性結腸炎的治療)	Compounds, indications (ulcerative colitis)	Invention	our Company, Tianjin Hemay Pharmaceutical	Dr. Zeng, Dr. Zhang	Pending	Nov 23, 2017
20 .	Hemay007	JP2019528114 (Japan)	Piperidine-2,6-dione derivative and treatment for ulcerative colitis (哌啶-2,6-二酮衍生物和潰瘍性結腸炎的治療)	Indications (ulcerative colitis)	Invention	Our Company, Tianjin Hemay Pharmaceutical	Dr. Zeng, Dr. Zhang	Granted	Nov 23, 2037
21 .	Hemay007	US18/533755 (U.S.)	Piperidine-2,6-dione derivatives and ulcerative colitis treating (哌啶-2,6-二酮衍生物與潰瘍性結腸炎的治療)	Indications (ulcerative colitis)	Invention	Our Company, Tianjin Hemay Pharmaceutical	Dr. Zeng, Dr. Zhang	Granted	Nov 23, 2037
22 .	Hemay022	AU2011264209 (Australia)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Compounds, indications (tumor)	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
23 .	Hemay022	BR112012031340 (Brazil)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Compounds, indications (cancer)	Invention	Hemay Bio-Tech	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
24 .	Hemay022	CA2802130 (Canada)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Compounds, indications (tumor)	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
25 .	Hemay022	CN201180028282.0 (PRC)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Compounds, indications (breast cancer and other tumors)	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
26 .	Hemay022	EP2011791932 (Europe)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Compounds, indications (tumor)	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031

#	Product	Application/Patent Number (Region)	Patent Name (EN/CH)	Nature & Scope (EN)	Patent Type	Patent Owner	Patent Inventor	Patent Status	Application/ Expiration date
27 .	Hemay022	EP2017167832 (Europe)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Indications (breast cancer and other tumors)	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
28 .	Hemay022	HK13109767 (Hong Kong)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Compounds, indications (tumor)	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
29 .	Hemay022	HK18104057 (Hong Kong)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Indications (breast cancer and other tumors)	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
30 .	Hemay022	JP2013513536 (Japan)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Compounds, indications (tumor)	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
31 .	Hemay022	RU2012156251 (Russia)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Compounds, indications (tumor)	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
32 .	Hemay022	US13/702987 (U.S.)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Compounds	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
33 .	Hemay022	US14/881085 (U.S.)	Cyanoquinoline derivatives (氰基喹啉衍生物)	Indications (breast cancer and other tumors)	Invention	Tianjin Hemay Oncology	Dr. Zhang, Mr. Chen, He Qingchao	Granted	June 8, 2031
34 . .	Hemay022	CN202411761654.6 (PRC)	Treatment for breast cancer	Indication (breast cancer)	Invention	Our Company	Dr. Zhang, Dr. Huo, Liu Xiuping, Li Xingwen, Ms. Lv Jingjing	Pending	Dec 3, 2024
35 .	Hemay181	CN202310651789.6 (PRC)	Camptothecin prodrug and pharmaceutical composition thereof (喜樹鹼前藥及其藥物組合物)	Compounds, indications (breast cancer and other tumors or cancer), compound preparation methods	Invention	Tianjin Hemay Oncology	Hong Zhangyong, Dr. Zhang, Dr. Zeng	Pending	May 30, 2023
36 . .	Hemay181	BR112024024867 (Brazil)	Camptothecin prodrug and pharmaceutical composition thereof	Compound, indication (tumors or cancers such as breast cancer), and method for preparing the compound	Invention	Tianjin Hemay Oncology	Hong Zhangyong, Dr. Zhang, Dr. Zeng	Pending	May 30, 2023
37 . .	Hemay181	CA3257906 (Canada)	Camptothecin prodrug and pharmaceutical composition thereof	Compound, indication (tumors or cancers such as breast cancer), and method for preparing the compound	Invention	Tianjin Hemay Oncology	Hong Zhangyong, Dr. Zhang, Dr. Zeng	Pending	May 30, 2023
38 . .	Hemay181	EP2023815226 (Europe)	Camptothecin prodrug and pharmaceutical composition thereof	Compound, indication (tumors or cancers such as breast cancer), and method for preparing the compound	Invention	Tianjin Hemay Oncology	Hong Zhangyong, Dr. Zhang, Dr. Zeng	Pending	May 30, 2023
39 . .	Hemay181	JP2024571049 (Japan)	Camptothecin prodrug and pharmaceutical composition thereof	Compound, indication (tumors or cancers such as breast cancer), and method for preparing the compound	Invention	Tianjin Hemay Oncology	Hong Zhangyong, Dr. Zhang, Dr. Zeng	Pending	May 30, 2023

#	Product	Application/Patent Number (Region)	Patent Name (EN/CH)	Nature & Scope (EN)	Patent Type	Patent Owner	Patent Inventor	Patent Status	Application/ Expiration date
40.	Hemay181	MX/a/2024/014787 (Mexico)	Camptothecin prodrug and pharmaceutical composition thereof	Compound, indication (tumors or cancers such as breast cancer), and method for preparing the compound	Invention	Tianjin Hemay Oncology	Hong Zhangyong, Dr. Zhang, Dr. Zeng	Pending	May 30, 2023
41.	Hemay808	AU2019254962 (Australia)	Isoindole derivatives (異吲哚衍生物)	Compounds, indications (skin diseases, psoriasis, atopic dermatitis, etc.), compound preparation methods	Invention	Tianjin Hemay Pharmaceutical	Dr. Zhang	Granted	Apr 16, 2039
42.	Hemay808	BR112020020800 (Brazil)	Isoindole derivatives (異吲哚衍生物)	Compounds, indications (skin diseases, psoriasis, atopic dermatitis, etc.), compound preparation methods	Invention	Tianjin Hemay Pharmaceutical	Dr. Zhang	Pending	Apr 16, 2019
43.	Hemay808	CA3094029 (Canada)	Isoindole derivatives and their use as immunoglobulin modulators (異吲哚衍生物)	Compounds, indications (skin diseases, psoriasis, atopic dermatitis, etc.), compound preparation methods	Invention	Tianjin Hemay Pharmaceutical	Dr. Zhang	Pending	Apr 16, 2019
44.	Hemay808	CN201910305475.4 (PRC)	Isoindole derivatives (異吲哚衍生物)	Compounds, indications (skin diseases, psoriasis, atopic dermatitis, etc.), compound preparation methods	Invention	Tianjin Hemay Pharmaceutical	Dr. Zhang	Granted	Apr 16, 2039
45.	Hemay808	EP2019788517 (Europe)	Isoindole derivative (異吲哚衍生物)	Compounds, indications (skin diseases, psoriasis, atopic dermatitis, etc.), compound preparation methods	Invention	Tianjin Hemay Pharmaceutical	Dr. Zhang	Pending	Apr 16, 2019
46.	Hemay808	HK62021037127 (Hong Kong)	Isoindole derivatives (異吲哚衍生物)	Compounds, indications (skin diseases, psoriasis, atopic dermatitis, etc.), compound preparation methods	Invention	Tianjin Hemay Pharmaceutical	Dr. Zhang	Pending	Apr 16, 2019
47.	Hemay808	JP2021506028 (Japan)	Isoindole derivatives (異吲哚衍生物)	Compounds, indications (skin diseases, psoriasis, atopic dermatitis, etc.), compound preparation methods	Invention	Tianjin Hemay Pharmaceutical	Dr. Zhang	Granted	Apr 16, 2039
48.	Hemay808	KR1020207031475 (Korea)	Isoindole derivatives (異吲哚衍生物)	Compounds, indications (skin diseases, psoriasis, atopic dermatitis, etc.), compound preparation methods	Invention	Tianjin Hemay Pharmaceutical	Dr. Zhang	Granted	Apr 16, 2039
49.	Hemay808	US17/048914 (U.S.)	Isoindole derivative (異吲哚衍生物)	Compounds, indications (skin diseases, psoriasis, atopic dermatitis, etc.), compound preparation methods	Invention	Tianjin Hemay Pharmaceutical	Dr. Zhang	Granted	Apr 16, 2039

(c) Domain names

As of the Latest Practicable Date, we had registered the following domain name(s) which we considered to be material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1. . .	hemay.com.cn	Tianjin Hemay Pharmaceutical	September 3, 2009	September 3, 2026
2. . .	hemaypharm.com	Tianjin Hemay Pharmaceutical	September 3, 2009	September 3, 2026

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Service Contracts and Appointment Letters

Each of our Directors and Supervisors has entered into a service contract or letter of appointment with our Company. Each of service contracts and the letters of appointment is for a term of three years and subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

None of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

2. Remuneration of Directors and Supervisors

The aggregate remuneration (including salaries, bonuses, shares, contribution to retirement scheme, medical insurances, other social insurance and share-based payment) paid or payable to our Directors and Supervisors for 2024 and 2025 was approximately RMB13.6 million and RMB13.2 million, respectively.

Pursuant to the existing arrangements that are currently in force as at the date of this document, the amount of remuneration (excluding discretionary bonuses but including share-based payment) payable to our Directors and Supervisors by our Company for the year ending December 31, 2026 is estimated to be no more than RMB15.5 million in aggregate.

The aggregate remuneration paid or payable by our Group to our five highest paid individuals (excluding the remuneration received by two and three Directors) for 2024 and 2025 was RMB4.6 million and RMB3.3 million, respectively.

During the Track Record Period and up to the Latest Practicable Date, no fees were paid by our Group to any of our Directors, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office, and there has been no arrangement under which a Director or Supervisor has waived or agreed to waive any emoluments.

3. Disclosure of interests

(a) Disclosure of interests of Directors, Supervisors and chief executive of our Company

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the interest and/or short position of our Directors, Supervisors and chief executive in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors), will be as follows:

(i) Interests in our Company

Name	Nature of interest	Description of Shares	Number of Shares	Approximate percentage of shareholding in our total share capital
Dr. Zhang[(1)]	Interest in controlled corporation	H Shares	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]
	Interest of spouse	H Shares	[**REDACTED**]	[**REDACTED**]
		Unlisted Shares	[**REDACTED**]	[**REDACTED**]

Notes:

(1) Ganzhou Hesheng and Ganzhou Heyi was owned as to 99.90% and approximately 71.43% by Dr. Zhang, respectively. As such, under the SFO, Dr. Zhang is deemed to be interested in the equity interests held by Ganzhou Hesheng and Ganzhou Heyi.

Hong Kong Hemay is directly wholly owned by Hemay Investment, which in turn is directly wholly owned by Hemay Holding, a wholly-owned subsidiary of Prime Honor which is directly wholly owned by Ms. Guo. As such, under the SFO, Ms. Guo is deemed to be interested in the equity interests held by Hong Kong Hemay. Further, Ms. Guo is the spouse of Dr. Zhang, and Dr. Zhang and Ms. Guo also entered into an acting in concert agreement, in which they confirmed and undertook that, they have been and will be parties acting-in-concert in relation to voting for corporate matters of our Group. As such, under the SFO, Dr. Zhang is deemed to be interested in the Shares which Ms. Guo is interested in.

(ii) Interests in associated corporations of our Company

Name	Nature of Interests	Name of associated corporation	Approximate percentage of shareholding in the associated corporation
Dr. Zhang	Interest of spouse	Hong Kong Hemay[(1)]	100.00%
		Hemay Investment[(1)]	100.00%
		Hemay Holding[(1)]	100.00%
		Prime Honor[(1)]	100.00%
	Interest in controlled corporation	Ganzhou Hesheng[(2)]	99.90%
		Ganzhou Heyi [(3)]	71.43%

Notes:

1 Hong Kong Hemay is directly wholly owned by Hemay Investment, which is directly wholly owned by Hemay Holding. Hemay Holding is directly wholly owned by Prime Honor, which is directly wholly owned by Ms. Guo. Ms. Guo is the spouse of Dr. Zhang. By virtue of the SFO, Dr. Zhang is deemed to be interested in the Shares which Ms. Guo is interested in.

2 Ganzhou Hesheng was also controlled by Dr. Zhang by virtue of his role as its general partner.

3 Ganzhou Heyi was also controlled by Dr. Zhang by virtue of his role as its general partner.

(b) Disclosure of interests of substantial shareholders

Save as disclosed in the section headed "Substantial Shareholders", immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company or any other members of our Group.

4. Agency Fees or Commissions Received

Save as disclosed in the section headed [**REDACTED**], no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital or security of any member of our Group.

5. Disclaimers

(a) Save as disclosed in the section headed "Substantial Shareholders", none of our Directors, Supervisors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [**REDACTED**];

(b) None of our Directors, Supervisors or any of the experts referred to under "— E. Other Information — 8. Qualifications and Consents of Experts" is:

(i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or

(ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(c) So far as is known to our Directors, Supervisors or the chief executive of our Company, no person (not being a Director, Supervisors or chief executive of our Company) will, immediately following the completion of the [**REDACTED**], have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(d) Save as disclosed in the section headed "Business — Top Five Suppliers", none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest suppliers of our Group during the Track Record Period.

D. EQUITY INCENTIVE SCHEME

As of the Latest Practicable Date, Ganzhou Heyi was our Company's employee shareholding platform holding the underlying Shares in respect of share awards granted under the Equity Incentive Scheme which held 15,566,325 Shares, representing approximately 3.92% of our Company's Shares. For details of Ganzhou Heyi, see "History, Development and Corporate Structure — Employee Shareholding Platform."

The Equity Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve the grant of options or share awards by our Company to subscribe for the Shares after the [**REDACTED**]. Given the underlying Shares under the Equity Incentive Scheme had already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the awards under the Equity Incentive Scheme.

Purpose

To attract, motivate and retain our core technical personnel and senior management and enhance their sense of belonging and responsibility for the future development of our Group, and to align the interests of our Group, Shareholders and core personnel.

Participants

Employees of our Company and its controlled entities currently holding positions at the department director level or above, core technical personnel, and other exceptionally outstanding employees.

Participation by Selected Participants

The participants under the Equity Incentive Scheme are granted awards in the form of economic interest in the Employee Shareholding Platform (the "**Awards**") and become indirectly interested in our Company through their respective interests as limited partners of the relevant Employee Shareholding Platform upon acquisition of partnership interests in the Employee Shareholding Platform. The Participants are not entitled to any voting rights in our Company through the Employee Shareholding Platform.

Non-transferability of the Awards

From the date of grant to the end of the 12 months after the vesting of the Awards (the "**Lock-up Period**"), without the consent of the general partner of the Employee Shareholding Platform, the Participants shall not transfer or entrust others to manage their Awards. Upon the lapse of the Lock-up Period, the Participants may transfer the Awards in accordance with the Equity Incentive Scheme and other applicable laws, administrative regulations, department rules and relevant requirements of the CSRC and stock exchanges.

Exit Mechanism

Before the [**REDACTED**], as well as after the [**REDACTED**] but before the Lock-up Period expires, if a Participant intends to exit, the general partner or its designated person has the right of first refusal for the Awards granted to the Participant, and the transfer price of the Awards is settled either through arms-length negotiations or based on the Participant's exercise price with interests calculated using the Loan Prime Rate. Without the general partner's consent, the Participant shall not transfer the Awards to any person who is not our employee.

After the Lock-up Period expires, if a Participant intends to exit, he shall notify the general partner in writing three months in advance, and the general partner will determine the timing for the Participant to sell the Awards.

The general partner can request the Participant to transfer the Awards to the general partner or its designated parties at nil consideration if (i) the Participant entrusts others to hold his Awards or holds Awards on behalf of others; or (ii) the Participant transfers the Awards to a person who is not an employee of our Company in breach of the transfer restrictions before and after the [**REDACTED**].

The death of a Participant after the [**REDACTED**] will not trigger lapse of the Award. The Award can be inherited by the Participant's successors.

The partnership structure of Ganzhou Heyi and the corresponding shareholding in our Company held by each partner was as follows:

Name	Position(s) in our Company	Role in Ganzhou Heyi	Approximate % of partnership interest	Approximate number of Shares upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[(2)]	Approximate % of shareholding in our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[(2)]
Dr. Zhang	Chairman of our Board, executive Director and general manager	General partner	71.43%	[**REDACTED**]	[**REDACTED**]
Mr. Chen	Executive Director, deputy general manager, secretary to our Board and head of sales department	Limited partner	7.14%	[**REDACTED**]	[**REDACTED**]
Dr. Huo	Executive Director and deputy general manager	Limited partner	7.14%	[**REDACTED**]	[**REDACTED**]
Zeng Guanghuai (曾廣懷)	Deputy general manager	Limited partner	7.14%	[**REDACTED**]	[**REDACTED**]

Name	Position(s) in our Company	Role in Ganzhou Heyi	Approximate % of partnership interest	Approximate number of Shares upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[(2)]	Approximate % of shareholding in our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[(2)]
Zhang Yumei[(1)] (張玉梅)	Procurement manager	Limited partner	7.14%	[REDACTED]	[REDACTED]
Total			**100.00%**		[REDACTED]

Note:

(1) Zhang Yumei is the spouse of Mr. Chen and the niece of Dr. Zhang.

(2) For illustrating the indirect interests of grantees in the Shares, the percentage of shareholding is presented and calculated by multiplying their respective percentage of partnership interests in Ganzhou Heyi by the total number of Shares held by Ganzhou Heyi. Approximately 50% the Unlisted Shares held by Ganzhou Heyi will be converted into H Shares upon [**REDACTED**], subject to the relevant regulatory approvals and registration.

Dr. Zhang, being the general partner of Ganzhou Heyi, is entitled to exercise the voting rights of our Shares held by Ganzhou Heyi at his discretion and also execute the partnerships' affairs on behalf of the respective limited partners in accordance with the limited partnership agreements.

E. OTHER INFORMATION

1. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon the Group.

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 is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our results of operations or financial condition.

3. Application for [REDACTED]

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the [**REDACTED**] of, and permission to [**REDACTED**] in, the H Shares in issue and to be issued as mentioned in this document. All necessary arrangements have been made to enable the securities to be admitted into [**REDACTED**].

4. Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The sponsor fee payable to the Sole Sponsor in connection with the [**REDACTED**] payable by our Company is RMB3.6 million.

5. Compliance Advisor

Our Company has appointed Maxa Capital Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

6. Preliminary Expenses

As of the Latest Practicable Date, our Company had not incurred material preliminary expenses.

7. Promoter

The promoters of our Company are Hong Kong Hemay, Ganzhou Hesheng, Zhenzhuo Pharmaceutical, Truman, High Estate, Shanghai Cenova, Ganzhou Heyi, Zhenzhuo Xinqi, Jihan Investment, Detong Hexin, Tigermed Investment, Xinfeng County Development, Orient Yirui, Xiade Investment, Anxin Guosheng, Taikun Investment, Efung Ruiyi, Yide Investment, Linde Investment, and Anhui Jinrui.

Within the two years immediately preceding the date of this document, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoter in connection with the [**REDACTED**] or related transactions herein.

8. Qualifications and Consents of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained herein:

Name	Qualifications
SDIC Securities Corporate Finance (Hong Kong) Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
King & Wood	Legal advisor to our Company as to PRC laws and as to PRC intellectual property laws

Name	Qualifications
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer

Each of the experts named above has given and has not withdrawn its consent to the issuance of this document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has 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 our Company or any of our subsidiaries.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. 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).

11. Taxation of Holders of H Shares

(a) Hong Kong

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

(b) Consultation with Professional Advisors

Intending holders of the H Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the H Shares. It is emphasized that none of our Company, our Directors, Supervisors or the other parties involved in the [**REDACTED**] will accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the H Shares or exercise of any rights attaching to them.

12. Miscellaneous

(a) Within the two years immediately preceding the date of this document, our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) No share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) Our Company has not issued nor agreed to issue founder, management or deferred shares or any deferred debentures;

(d) Our Company has no outstanding convertible debt securities;

(e) Within the two years immediately preceding the date of this document, no commission, discount, brokerage or other special term has been granted or agreed to be granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(f) There is no arrangement under which future dividends are waived or agreed to be waived;

(g) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;

(h) none of our equity securities is [**REDACTED**] or [**REDACTED**] with on Stock Exchange or any other Stock Exchange nor is any [**REDACTED**] or permission to [**REDACTED**] being or proposed to be sought.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts"; and

(b) the written consents referred to in "Appendix VII — Statutory and General Information — E. Other Information — 8. Qualifications and Consents of Experts."

2. DOCUMENTS AVAILABLE ON DISPLAY

The following documents will be available on display on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.hemay.com.cn**) up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountant's Report for 2024 and 2025 from PricewaterhouseCoopers, the text of which is set out in "Appendix I — Accountant's Report";

(c) the report on the unaudited [**REDACTED**] financial information from PricewaterhouseCoopers, the text of which is set out in "Appendix II — Unaudited [**REDACTED**] Financial Information";

(d) the audited consolidated financial statements of our Group for 2024 and 2025;

(e) the legal opinion issued by King & Wood, our legal advisor as to PRC laws, in respect the certain matters of our Group in the PRC;

(f) the legal opinion issued by King & Wood, our legal adviser as to PRC intellectual property laws, summarizing certain intellectual property matters of our Group under PRC laws;

(g) the property valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in "Appendix III — Property Valuation Report";

(h) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this document.

(i) the material contracts referred to in "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts";

(j) the written consents referred to in "Appendix VII — Statutory and General Information — E. Other Information — 8. Qualifications and Consents of Experts";

(k) the service contracts and appointment letters referred to in "Appendix VII — Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Service Contracts and Appointment Letters"; and

(l) the PRC Company Law and the PRC Securities Law, together with their unofficial English translations.