OVERVIEW

As of the Latest Practicable Date, Dongcheng Biochem held approximately 43.95% of the issued share capital of our Company. Immediately upon completion of the [**REDACTED**], without taking into account any Shares which may be [**REDACTED**] upon the exercise of the [**REDACTED**] and any Shares to be [**REDACTED**] under the 2023 Share Option Scheme, Dongcheng Biochem will control approximately [**REDACTED**]% of the [**REDACTED**] share capital of our Company. Accordingly, Dongcheng Biochem is considered as our Controlling Shareholder upon the completion of the [**REDACTED**].

BACKGROUND OF OUR CONTROLLING SHAREHOLDER

Dongcheng Biochem (stock code: 002675.SZ) was listed on the Shenzhen Stock Exchange in May 2012. It is a comprehensive pharmaceutical enterprise principally engaged in drug research and development, production and sales across four main pharmaceutical segments, including biochemical active pharmaceutical ingredients, pharmaceutical formulations, nuclear medicine, and general health. The [**REDACTED**] of our Company constitutes a spin-off from Dongcheng Biochem (the "**Spin-off**") as defined under the CSRC Spin-Off Rules. Dongcheng Biochem published the relevant announcements related to the Spin-off on the Shenzhen Stock Exchange on August 29, 2025, and subsequently the Spin-off plan has been approved by the shareholders of Dongcheng Biochem at an extraordinary general meeting held on September 15, 2025.

DELINEATION OF BUSINESS

Our Group is a clinical-stage biotechnology company dedicated to the discovery, development, and commercialization of theranostic radiopharmaceuticals in oncology. Our Group aims to improve cancer care by enabling precise diagnosis and effective treatment across a broad spectrum of tumors, including, among others, prostate cancer, gastric cancer, glioma, neuroendocrine tumors, lung cancer, and thyroid cancer. For details of our business, please refer to "Business — Overview" in this Document.

The Remaining Group is primarily engaged in drug research and development, production and sales across four main pharmaceutical segments, including biochemical active pharmaceutical ingredients, pharmaceutical formulations, nuclear medicine and general health. Although the Remaining Group is also engaged in research and development, production and sales of certain traditional nuclear medicine (the "**Traditional Nuclear Medicine Business**"), there is a clear business distinction between the Traditional Nuclear Medicine Business and the business of the Group.

Delineation with the Traditional Nuclear Medicine Business

The Traditional Nuclear Medicine Business conducted by the Remaining Group mainly focuses on manufacture, production and sales of traditional nuclear medicine. It is primarily a manufacturing, production and commercial-sales business for well-established radiopharmaceutical products. In contrast, the Group focuses on discovery, development and clinical advancement of targeted theranostic radiopharmaceutical drug candidates such as PSMA-targeted and FAP-targeted diagnostic and therapeutic candidates.

Based on the disclosure in the annual and/or interim reports published by Dongcheng Biochem, the revenue generated from the Traditional Nuclear Medicine Business was approximately RMB1,012.1 million and RMB1,135.6 million for the year ended December 31, 2024 and 2025, representing approximately 35.28% and 41.43% of the total revenue of Dongcheng Biochem for the relevant years/period. The gross profit generated from the Traditional Nuclear Medicine Business was approximately RMB699.1 million and RMB786.5 million for the year ended December 31, 2024 and 2025, representing approximately 51.69% and 56.30% of the gross profits of Dongcheng Biochem for the relevant years/period.

Among the traditional nuclear medicine of the Remaining Group, only two drugs are oncology related, namely Fluorine ^{18}F Fluorodeoxyglucose Injection (the "**^{18}F-FDG Injection**") and Iodine ^{125}I Brachytherapy Source (the "**Iodine Brachytherapy Source**", together with ^{18}F-FDG Injection, the "**Relevant Drugs**"). Other than the Relevant Drugs, all the other traditional radiopharmaceuticals of the Remaining Group are non-oncology related, with target indications completely different from those of the Company's products. Therefore, the non-oncology related drugs under the Traditional Nuclear Medicine Business of Dongcheng Biochem are clearly delineated from the Core Product or the other product pipelines of our Group.

There is a clear delineation between the Company's drug candidates and the Relevant Drugs in terms of their R&D model and cycle, regulatory pathway and time to market. The Relevant Drugs are both mature and commercialized products and are more production/distribution focused, while the Group's radiopharmaceutical drug candidates are innovation-led drug-development programs requiring dedicated R&D, clinical trial management and manufacturing capabilities. Therefore, the Company's radiopharmaceutical drug candidates and the Relevant Drugs can be clearly delineated in the following aspects:

	Company's drug candidates	**Relevant Drugs of the Remaining Group**
Regulatory pathway	Classified as a ***category 1 innovative drug*** under the Measures for the Administration of Drug Registration, emphasizing on chemical structure or compound not yet commercialized.	Classified as ***generic drugs***, containing the same chemical substances as a drug that was originally protected by chemical patents.
Drug review and marketing approval	Review mainly focuses on safety, efficacy, and quality control, requiring extensive data. The Company must go through multi-phase animal and clinical studies and collect extensive pre-clinical and clinical data to prove their safety and efficacy in order to obtain the requisite regulatory approvals.	As there have been established national technical standards, review mainly focuses on quality consistency with the reference drug under the established standards, requiring less data when applying for regulatory approvals as compared with radiopharmaceutical drugs.
R&D Model and Cycle	Development of the Company's targeted theranostic radiopharmaceutical drug candidates is innovation-driven, with focus on target selection and validation, drug discovery, high-throughput screening, molecule design and etc. Such processes involve long, complex development cycles and require multi-disciplinary R&D expertise.	The R&D processes are more production-driven and the R&D cycle is relatively simpler as there is generally no need to undergo all the preclinical studies and/or clinical trials required of radiopharmaceutical drugs.
R&D Timeline and Costs	Longer R&D timeline attributable to the preclinical studies and clinical trials that are required. The whole R&D process often takes many years to over a decade with high R&D costs involved.	Relatively shorter R&D cycle, typically 1–2 years or less. R&D costs are also much lower as compared with radiopharmaceutical drugs.

There is also a clear delineation between the Company's drug candidates and the Relevant Drugs in terms of their mechanism of action, clinical needs, targeted patient population and application scenarios. Both ^{18}F-FDG Injection and Iodine Brachytherapy Source are traditional radiopharmaceuticals which are broad-spectrum or generic radiopharmaceuticals that have long been commercialized. They do not include any targeted radiopharmaceuticals that bind to specific molecular targets as the Group's drug candidates. In general, the Relevant Drugs and our drug candidates are two different classes of drugs that have distinct mechanism of action and are generally used to treat different type of patients with different clinical needs. As they address distinct patient populations and clinical needs, the application scenarios differ significantly and clinicians do not consider the Company's drug candidates and the Relevant Drugs to be interchangeable. Set forth below a brief summary of the major differences between such traditional radiopharmaceuticals and our drug candidates:

(a) ^{18}F-FDG Injection

^{18}F-FDG Injection is a diagnostic radiopharmaceutical. It is a primary imaging agent for PET-CT scans, mainly used for early screening and diagnosis of malignant tumors, evaluation of treatment efficacy, and prognosis assessment. It can also be applied to measure glucose metabolism in the heart and brain, supporting early diagnosis, differential diagnosis, and treatment guidance for coronary artery disease and neuropsychiatric disorders.

^{18}F-FDG Injection can be clearly delineated from our diagnostic radiopharmaceutical drug candidates such as our Core Products, ^{18}F-LNC1001 and ^{18}F-LNC1005, in the following key aspects:

(i) ***distinct mechanism of action***: ^{18}F-FDG is a glucose analog that accumulates in metabolically active tissues by mimicking glucose uptake and phosphorylation, enabling functional imaging via positron emission tomography (PET) technology; however, due to its non-specific uptake, ^{18}F-FDG cannot accurately distinguish between malignant tumors, inflammatory lesions, or hyperplastic conditions such as granulomas.

In contrast, our diagnostic radiopharmaceutical drug candidates, such as ^{18}F-LNC1001 and ^{18}F-LNC1005, are designed to target specific biomarkers — prostate-specific membrane antigen (PSMA) and fibroblast activation protein (FAP), respectively. ^{18}F-LNC1001 is a PSMA-targeted diagnostic radiopharmaceutical drug candidate developed for PET imaging of patients with PSMA-positive prostate cancer. It has PSMA-targeted specificity and high affinity, allowing it to highly accumulate in tumors that express PSMA. Therefore, such drug candidate has tumor imaging capabilities and can clearly reveal primary lesions and metastases of prostate cancer. ^{18}F-LNC1005 is a fibroblast activation protein (FAP)-targeted diagnostic radiopharmaceutical drug developed for PET imaging of patients with FAP-positive solid tumors. ^{18}F-LNC1005 has high specificity and affinity for FAP protein, allowing it to concentrate in tumors with high FAP expression. It can deliver fluorine-18 to FAP-positive lesions in patients with advanced solid tumors, such as gastric cancer, making it suitable for PET imaging of FAP-positive lesions in solid tumors. For details, see "Business — Our Drug Candidates — Our Core Products — ^{18}F-LNC1001 — Our Core Product, a Diagnostic Radiopharmaceutical Drug Candidate — Mechanism of Action" and "Business — Our Drug Candidates — Our Core Products — ^{18}F-LNC1005 — Our Core Product, a Diagnostic Radiopharmaceutical Drug Candidate — Mechanism of Action".

(ii) ***distinct clinical needs and target patients***: Due to the different mechanisms of action, the type of cancers and the target patients of ^{18}F-FDG and our diagnostic radiopharmaceutical drug candidates vary significantly. ^{18}F-FDG is generally used for early screening and diagnosis of malignant tumors, especially those characterized by elevated glucose metabolism. On the other hand, our diagnostic radiopharmaceutical drug candidates, such as ^{18}F-LNC1001 and ^{18}F-LNC1005, are developed to enable precise diagnosis of specific cancer types, i.e. prostate cancer and gastric cancer, respectively. Therefore, ^{18}F-FDG and our diagnostic radiopharmaceutical drug candidates target different types of patients with different clinical needs. ^{18}F-FDG is often utilized in preventive healthcare or early-screening settings, as a foundational modality for oncological screening and detection of malignant tumors characterized by elevated glucose metabolism; while our diagnostic radiopharmaceutical drug candidates, such as ^{18}F-LNC1001 and ^{18}F-LNC1005, are specifically developed to diagnose patients with clinical indications of specific cancer types.

(iii) ***distinct application scenarios and patient polulations***: ^{18}F-FDG Injection and the Company's radiopharmaceutical drug candidates serve fundamentally different diagnostic purposes and are not generally in competition with each other. ^{18}F-FDG Injection is a broad imaging agent widely used for preventive or general diagnostic purpose, whereas the Company's drug candidates (such as ^{18}F- LNC1001 and ^{18}F- LNC1005) are designed for disease-specific diagnostic applications in oncology. ^{18}F-FDG is generally used across health examination centers, general radiology/PET-CT departments as part of routine preventive or diagnostic imaging and can be ordered for individuals who would like to undergo health examination, early cancer screening or evaluation of certain non-oncology diseases. In contrast, the Company's radiopharmaceutical drug candidates will only be ordered for patients with suspected or confirmed cancer to provide clinicians with comprehensive and clinically actionable information about the tumor's size, location, staging and lesion characterization. As the two categories of products address distinct patient populations and clinical needs, the application scenarios differ significantly and clinicians do not consider the Company's drug candidates and ^{18}F-FDG Injection to be interchangeable. Set out below are the detailed distinctions between ^{18}F-FDG Injection and ^{18}F-LNC1001 and ^{18}F-LNC1005, the Company's diagnostic radiopharmaceutical drug candidate, in terms of hospital settings, application scenarios and patient populations:

	^{18}F-FDG Injection	**^{18}F-LNC1001**	**^{18}F-LNC1005**
Hospital settings	Widely used across health examination centers, general radiology/PET-CT departments as part of routine preventive or diagnostic imaging.	Primarily utilized in the urology/oncology department in the hospital. Such drug is not designed for preventive use.	Primarily utilized in the gastroenterology/oncology department. Such drug is not designed for preventive use.
Application scenarios and patient populations	Individuals undergoing routine health examination, early cancer screening or evaluation of non-oncology diseases. Apart from early cancer screening, ^{18}F-FDG Injection is also used for diagnosis of other non-oncology indications such as coronary heart disease and neuropsychiatric disorders, by measuring glucose metabolism in the heart and/or other organs.	Patients with suspected or confirmed prostate cancer, who are typically referred by urologists or oncologists to use ^{18}F-LNC1001 for advanced imaging which enables accurate diagnosis and staging of prostate cancer.	Patients with suspected or confirmed gastric cancer, typically referred by gastroenterologists or oncologists to use ^{18}F-LNC1005 for advanced imaging which enables accurate diagnosis and staging of gastric cancer.

(b) Iodine Brachytherapy Source

Iodine Brachytherapy Source is a therapeutic radiopharmaceutical primarily used for the treatment of superficial and thoracoabdominal tumors, such as head and neck cancers, lung cancer, pancreatic cancer, and early-stage prostate cancer. It can also be used to treat residual or recurrent tumors post external beam radiotherapy.

Iodine Brachytherapy Source can be clearly delineated from our therapeutic radiopharmaceutical drug candidates in the following key aspects:

(i) ***distinct mechanism of action***: Iodine Brachytherapy Source works by implanting seed source containing ^{125}I within the tumor site. ^{125}I is a radioactive isotope which emits radiation that causes DNA damage in nearby cancer cells.

In contrast, our therapeutic radiopharmaceutical drug candidates such as ^{177}Lu - LNC1011 is a PSMA-targeted therapeutic radiopharmaceutical designed for the treatment of PSMA-positive metastatic castration-resistant prostate cancer (mCRPC). ^{177}Lu-LNC1011 is a PSMA ligand modified with Dansyl (Dan) and a metal chelator (DOTA), radiolabeled with beta-emitting radionuclide ^{177}Lu. The Dan was introduced as a pharmacokinetic modifier to prolong blood circulation half-life and increase tumor uptake/retention of the drug candidate, thereby potentially enhancing its therapeutic effect. Upon binding of ^{177}Lu-LNC1011 to PSMA on cancer cells, the whole molecule is internalized, entrapping the radioactivity inside the tumor microenvironment, leading to the increased exposure of cancer cells to radioactivity. For details, see "Business — Our Drug Candidates — Our Core Products — 177Lu-LNC1011 — Our Core Product, A Therapeutic Radiopharmaceutical Drug Candidate."

(ii) ***distinct clinical needs and target patients***: Although both Iodine Brachytherapy Source and ^{177}Lu-LNC1011 may be used to treat prostate cancer, they have distinct clinical needs and target patients. Iodine Brachytherapy Source is primarily used to treat superficial and thoracoabdominal solid tumors, and in the context of prostate cancer, it is typically used for the treatment of early-stage prostate cancer. In contrast, our ^{177}Lu-LNC1011 is designed and developed for second- and third-line treatment of metastatic castration-resistant prostate cancer (mCRPC), a late-stage condition. In addition, the administration of Iodine Brachytherapy Source and ^{177}Lu-LNC1011 also differ significantly. Iodine Brachytherapy Source requires minimally invasive surgical implantation of radioactive seed source containing ^{125}I within the tumor site, while ^{177}Lu-LNC1011 should be administered via intravenous injection, without the need to carry out surgical procedures.

(iii) ***distinct application scenarios and patient populations***: Iodine Brachytherapy Source is a locally-administered treatment modality. It is deployed at the earliest stage of disease management, where the tumor remains localized, non-metastatic, and anatomically accessible. The clinical objective at this stage is curative local control, without the need for systemic intervention. By its very nature, it is not indicated for, nor clinically applicable to, patients with advanced, disseminated, or treatment-refractory disease. In contrast, the Company's therapeutic radiopharmaceutical drug candidate ^{177}Lu-LNC1011, is specifically designed and developed for second- and third-line systemic treatment for patients with metastatic castration-resistant prostate cancer (mCRPC). The clinical rationale for deploying a radiopharmaceutical drug candidate such as ^{177}Lu-LNC1011 presupposes that all early-stage treatment methods, including Iodine Brachytherapy Source and other treatment methods, have already been exhausted or are no longer suitable. Therefore, the application scenarios and target patient population of ^{177}Lu-LNC1011, by clinical definition, have already passed through and beyond the stage at which early-stage treatment methods such as Iodine Brachytherapy Source would be indicated or relevant. Therefore, Iodine Brachytherapy Source and

^{177}Lu-LNC1011 are confined to their respective treatment domains which are fundamentally non-competing with each other.

According to F&S, Iodine Brachytherapy Source and ^{177}Lu-LNC1011 operate in distinct industry segments, with different market structures, patient stratification frameworks, treatment objectives and clinical application scenarios. From an industry landscape perspective, the markets for early-stage prostate cancer treatments and second/third-line therapies are structurally separate and independently defined segments within the broader oncology treatment market. Early-stage prostate cancer treatments — including Iodine Brachytherapy Source — serve a patient cohort characterized by newly diagnosed, localized, non-metastatic disease, where the primary clinical objective is curative local control. The market for such treatments is shaped by factors including incidence rates of localized prostate cancer, clinical adoption of minimally invasive procedures, and the availability of competing modalities. By contrast, the market for second- and third-line therapies such as mCRPC is defined by an entirely different set of clinical and epidemiological drivers, including rates of disease progression to castration resistance, failure of prior systemic therapies, and the unmet medical need among patients with advanced, metastatic disease. As a result, the two markets not only target different patient populations at different stages of the disease continuum, but are also governed by distinct competitive dynamics and clinical decision-making frameworks.

In addition, as part of its strategic business optimisation and resource reallocation, Dongcheng Biochem is planning to adjust its Iodine Brachytherapy Source business for treatment of early-stage prostate cancer. According to F&S, the successive regulatory approval and market launch of novel products for early-stage prostate cancer, including new-generation endocrine therapies and radioligand therapies, have rendered clinical treatment options increasingly diverse for early-stage prostate cancer. As a result, the market for Iodine Brachytherapy Source in the treatment of early-stage prostate cancer is now characterised by intensifying competition and a declining growth trajectory. As a conventional treatment modality for early-stage prostate cancer, Iodine Brachytherapy Source is expected to face considerable patient diversion pressure, with its utilization in the overall management of prostate cancer projected to decline on a sustained basis. Correspondingly, its share of total market revenue in the treatment of early-stage prostate cancer is also anticipated to trend downward, according to F&S. In light of these market conditions, the insignificant revenue contribution of this business to Dongcheng Biochem's overall operations, and to minimise any potential competition with our Group, Dongcheng Biochem intends to cease supplying Iodine Brachytherapy Source to hospital urology departments for early-stage prostate cancer treatment. Accordingly, any potential overlap between our business and Dongcheng Biochem's Iodine Brachytherapy Source is expected to be minimal by the time our therapeutic radiopharmaceutical drug candidate, ^{177}Lu-LNC1011, is commercialised. Taking into account the differences in regulatory pathway, drug review and market approval process, R&D model, cycle, timeline and costs, as well as the delineation in terms of mechanism of action, target patient populations and application scenarios, together with Dongcheng Biochem's aforementioned strategic business adjustments and the non-competition undertaking described below, we believe that our business is clearly delineated from Dongcheng Biochem's Traditional Nuclear Medicine Business.

In light of the above, our Directors are of the view that, at the time of [**REDACTED**], the business of our Group will be clearly delineated from that of Dongcheng Biochem, our Controlling Shareholder, and there will be no direct or indirect material competition between our Group and our Controlling Shareholder.

Save as disclosed above, as of the Latest Practicable Date, none of our Controlling Shareholder, its close associates and our Directors had any interest in any business which competed or was likely to compete, directly or indirectly, with our Company's business in a manner that would require disclosure under Rule 8.10 of the Listing Rules.

The Traditional Nuclear Medicine Business was excluded from our Group as such business is, by its nature, different from the business of our Group. It does not form part

of our core business, and is not in line with our strategy to advance both diagnostic and therapeutic radiopharmaceuticals using a theranostic approach in which diagnostic agents enable accurate patient selection and monitoring, while therapeutic agents provide targeted treatment.

Non-Competition Undertaking

Our Controlling Shareholder [has] provided a non-competition undertaking (the "**Non-Competition Undertaking**") in favor of us, pursuant to which our Controlling Shareholder has undertaken to us that during the period of being a Controlling Shareholder of our Company, among others, it will not:

(i) directly or indirectly engage in any businesses that compete directly or indirectly with the business engaged by our Group from time to time, including, in particular, any direct or indirect engagement in discovery, research and development, and commercialization of therapeutic radiopharmaceutical drugs that have the same targeted indication(s) as the Company's drugs or drug candidates ("**Restricted Businesses**");

(ii) hold shares or interest in any companies or businesses that compete directly or indirectly with the business engaged by our Group from time to time, or conduct any Restricted Businesses, except for limited circumstances as stipulated therein.

Furthermore, our Controlling Shareholder has undertaken that if any new business investment/other business opportunity relating to the Restricted Businesses (the "**New Business Opportunity**") is made available to it, it shall refer such New Business Opportunity to our Company on a timely basis by giving written notice (the "**Offer Notice**"), which shall include the nature of the New Business Opportunity, the investment or acquisition costs and all other necessary and reasonably required details. Upon receiving the Offer Notice, our Company shall form an independent board committee (the "**Independent Board Committee**") comprising independent non-executive Directors who do not have any interests in the New Business Opportunity, to decide on behalf of our Company whether to pursue or decline the New Business Opportunity. The Independent Board Committee shall consider the financial impact of pursuing the New Business Opportunity offered, as well as whether the nature of the New Business Opportunity is consistent with our Group's development plans and in the best interests of the Shareholders as a whole. The Independent Board Committee shall, within 30 business days of receipt of the Offer Notice, inform our Controlling Shareholder on behalf of our Company in writing of its decision on whether to pursue or decline the New Business Opportunity. Our Controlling Shareholder shall be entitled but not obliged to pursue such New Business Opportunity on terms and conditions no more favorable than those set forth in the Offer Notice given to our Company, if it has received a notice from the Independent Board Committee declining such New Business Opportunity or if the Independent Board Committee fails to respond within the 30 business days' period as mentioned above. If there is any material change in the terms or conditions of such New Business Opportunity after our Controlling Shareholder referred or procured referral of which to our Company, our Controlling Shareholder shall refer such revised New Business Opportunity again to our Company as if it were a new one and in accordance with the manner set out above.

In addition, subject to compliance with applicable laws and regulations or contractual arrangements with other third parties, in the event that the New Business Opportunity is declined by our Company and subsequently pursued by our Controlling Shareholder, our Controlling Shareholder and/or its close associates (other than members of our Group) will grant our Company an option to acquire from our Controlling Shareholder and/or its close associates (other than members of our Group) any interest or business developed or acquired by our Controlling Shareholder in relation to the New Business Opportunity.

The Non-Competition Undertaking will lapse automatically if (i) our Controlling Shareholder and its close associates (other than members of our Group), directly or indirectly and individually or collectively hold less than 30% of the voting rights of our Company or cease to have the right to appoint the majority of our Directors, or otherwise have control over, our Board, or (ii) our H Shares cease to be listed on the Stock Exchange.

INDEPENDENCE FROM CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholder and its close associates after [**REDACTED**].

Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Save as disclosed below, none of our Directors or members of senior management serves as directors or members of senior management in Dongcheng Biochem or its close associates:

Name of Director	Positions in our Company	Positions in our Controlling Shareholder
Mr. Luo Zhigang (羅志剛)	Non-executive Director and Chairman of the Board	Director of Dongcheng Biochem and general manager
Mr. Liu Xiaojie (劉曉傑)	Non-executive Director	Director, deputy general manager and board secretary of Dongcheng Biochem
Ms. You Sai (由賽)	Non-executive Director	Director and deputy general manager of Dongcheng Biochem

Our Directors consider that our Board and senior management will function independently from our Controlling Shareholder for the following reasons:

(a) our executive Directors, who are responsible for the day-to-day management of the Group's business, do not have any ongoing roles in the Remaining Group;

(b) save as disclosed above, none of the other Directors has any ongoing role with the Remaining Group;

(c) all our senior management members are independent from our Controlling Shareholder, and none of such members have any ongoing managerial role with the Remaining Group;

(d) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(e) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum subject to the provision of the Articles of Association;

(f) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholder which would support our independent management. See "— Corporate Governance Measures" in this section below for details;

(g) there are sufficient number of executive Directors and independent non-executive Directors, who are independent from our Controlling Shareholder, to ensure that our Board are able to perform its functions properly; and

(h) we have three independent non-executive Directors, comprising one-third of our Board to provide a balance between the number of executive Directors, non-executive Directors and independent non-executive Directors to ensure that there is a strong independent element on our Board and with a view to promoting the best interests of our Company and Shareholders taken as a whole. The independent non-executive Directors have diversified skills and experience in their respective fields of expertise (for details of their biographical details, see "Directors and Senior Management" in this document) and our Directors believe that our independent non-executive Directors are able to bring impartial opinion and sound judgement to the decision-making process of our Board and protect the interest of our Company and Shareholders as a whole. Our Company has established the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee. Each committee includes independent non-executive Directors so as to monitor the operation of our Group.

Based on the above, our Directors are of the view that our Board and senior management as a whole are capable to perform their roles in our Company independently and manage our business independently from members of our Controlling shareholder and its close associates after the [**REDACTED**].

Operational independence

We engage in our businesses independently from our Controlling Shareholder and its close associates, with the independent right to make operational decisions and to implement such decisions and will continue to do so after [**REDACTED**].

Research and development

We have established an independent integrated R&D platform encompassing three main functions: (i) drug discovery and preclinical development, (ii) clinical development, and (iii) CMC and pilot manufacturing. We also have a R&D team independent from the R&D team of the Remaining Group. As of the Latest Practicable Date, our research and development team consisted of 126 employees, all of whom are full-time employees of our Group not holding any position in the Remaining Group. With such independent R&D platform and experienced and independent R&D team, our Group has the requisite resources to carry out the R&D process independently. Currently, all of the fundamental and core on-going R&D activities including but not limited to, drug design, drug screening, design-driven transformation, pre-clinical development of drug candidates, and clinical trial design and implementation, are conducted independently by our R&D team without reliance on our Controlling Shareholder.

During the Track Record Period and in the ordinary and usual course of our business, we have engaged Dongcheng Biochem and its subsidiaries to provide certain R&D services, which include CMO services and CRO services. Following the [**REDACTED**], we expect to continue engaging the Remaining Group to provide such services on an arm's length basis and on normal commercial terms. Such transactions will constitute continuing connected transactions of our Company upon the completion of the [**REDACTED**]. For further details, see "Connected Transactions — Non-exempt Continuing Connected Transactions."

Our Directors are of the view that such services provided by the Remaining Group will not affect our ability to operate independently from the Remaining Group for the following reasons:

(a) we are able to function independently of the Remaining Group in every aspect of our business. Particularly, we are not relying on the Remaining Group in relation to conducting fundamental and core R&D and clinical trial for our drug candidates, since we have our own R&D team and are able to take lead in all important and core stages of the clinical trial process. The services provided by the Remaining Group are ancillary in nature and not core to our R&D activities as all the core R&D activities for the Core Products and pipeline candidates have been conceived, designed, developed, optimized and are currently led by the Group's own R&D personnel using the Group's own technologies and intellectual

property. The Company's own R&D team is taking lead in all important and core stages of the R&D processes, including but not limited to the following:

- **Drug discovery**: the Company has established an independent targeted drug platform, equipped with drug design, drug screening, design-driven transformation, and radionuclide labeling modules, which enables the Company's core R&D capabilities in AI virtual screening and molecular modification of hits/leads, compound synthesis, high-throughput screening, design-driven transformation of radiopharmaceutical development, radiolabeling, and other whole-chain radiopharmaceutical research and development. labeling modules.

- **Translational medicine:**: the Company has established an independent translational medicine platform comprising cell biology, animal research, and small animal imaging modules which enable the Company's core R&D capabilities in preclinical research capabilities, including in vitro studies and translational research.

- **Clinical development**: the Company has established an independent clinical development team, which is extensively involved in, and taking the lead of the Company's clinical trials, including design of trial protocol, selection of investigators and sites, overall management and supervision of the clinical trial programs. It also has a dedicated clinical medical team in charge of formulating trial protocol, reviewing clinical data, as well as adjusting and adapting clinical development plan in a timely manner based on signals and data observed in clinical trials. Therefore, while the Company may engage CRO or CMO services from the Remaining Group to conduct and support preclinical studies and clinical trials, the Company is the one taking the lead in the core clinical development process and will closely supervise the relevant services provided by the Remaining Group.

- **Chemistry, manufacturing, and controls**: the Company has established an independent team responsible for upstream and downstream process development, formulation development, analytical development, process characterization and validation, pilot manufacturing, quality study, product analysis, quality control (QC) and quality assurance (QA). It also has a registration management team responsible for the management of R&D projects, registration filings, applications for governmental research projects, as well as management of intellectual properties. Therefore, while the Company may engage CRO or CMO services from the Remaining Group for the manufacturing of our drug candidates for preclinical studies and clinical trials, the Company is the one taking the lead of the CMC processes and will closely monitor the production qualifications, facilities and processes involved to ensure compliance with the relevant regulatory requirements and the Company's internal guidelines.

It is common for pre-profit biopharmaceutical companies like us to outsource these services to third parties so the pre-profit biopharmaceutical companies can concentrate on core R&D of their drug candidates. According to Frost & Sullivan, the services we procure from the Remaining Group are widely available in the market from contract manufacturing and contract research organizations in the PRC, and the terms are comparable to those set out in the CMO Services Framework Agreement and CRO Services Framework Agreement in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions" in this Document.

(b) we are under no obligation to enter into such agreement with the Remaining Group. Prior to engaging the relevant members of the Remaining Group as a service provider, our Group will approach and engage in discussion and negotiations with other independent service provides before making the decision. We engaged the Remaining Group to provide such services to us because (i) the Remaining Group has competent and reliable expertise in providing CMO and CRO Services and can provide such services at arm's length and with good quality; and (ii) we have been cooperating with the Remaining Group for such services during the Track Record Period and the Remaining Group understands our quality requirement for these services quite well. Continuous procuring such

services from the Remaining Group can reduce our costs associated with involving in prolonged negotiations with new service providers and cooperating with them in run-in period;

(c) the procurement of such services from the Remaining Group is carried out by both parties in the ordinary course of business and is on normal commercial terms which are fair and reasonable to our Group and the Remaining Group. The fees payable by us to the Remaining Group for procuring the services are comparable to the market price; and

(d) the risk that the Remaining Group will terminate the relevant agreement in relation to the procurement of the services is remote the termination would not be in the commercial interest of the Remaining Group. Further, given the established long-term relationship between our Group and the Remaining Group, and in particular, the fact that Dongcheng Biochem will remain as our Controlling Shareholder upon the [**REDACTED**], we believe that the relevant transactions are unlikely to be materially adversely changed or terminated after the [**REDACTED**].

Procurement of Transport Services

During the Track Record Period and in the ordinary and usual course of business, we have engaged Yantai Dalong and its subsidiaries, to provide transport services for radiopharmaceuticals and radionuclides from time to time. Following the [**REDACTED**], we expect to continue engaging Yantai Dalong and its subsidiaries to provide such services on an arm's length basis and on normal commercial terms. Such transactions will constitute continuing connected transactions of our Company upon completion of the [**REDACTED**]. For further details, see "Connected Transactions — Partially Exempt Continuing Connected Transaction."

Our Company is of the view that such procurement will not affect our ability to operate independently since the providers of such services are generally available in the market and we are able to find substitute providers to provide similar products in the worst scenario that the Remaining Group ceases to provide relevant products to us. We have our own procurement team independent from our Controlling Shareholder. Our Controlling Shareholder and we have been and will be carrying out respective selection of suppliers independently in accordance with respective supplier management policies and system. Our procurement team may select supplier candidates from respective supplier list or reach out to supplier candidates, which are not within the list according to specific procurement demand. Our procurement team runs the supplier selection process and the procurement process independently, negotiate the terms of the procurement agreements with suppliers directly and independently.

Administration and IT

Our Group has full-time management team and team of staff to carry out our own administration and operation independent of the Remaining Group. The support services comprising accounting, administration, corporate secretarial, compliance and human resource management will also continue to be handled by a team of staff employed directly by our Group and separated from the Remaining Group. As all these key administrative functions of our Group will be carried out by us without reliance on the support of the Remaining Group, our Group will remain administratively independent upon completion of the [**REDACTED**].

Connected transactions with our Controlling Shareholder

The connected transactions set out in "Connected Transactions" of this Document were and will be conducted in the ordinary and usual course of business of our Group, on an arm's length basis and on normal commercial terms or better. Furthermore, the risk of our Controlling Shareholder terminating the connected transactions is remote as the parties under the relevant agreements have limited termination rights and the termination would not be in the commercial interest of our Controlling Shareholder in commercial aspect. In an unlikely event that our Controlling Shareholder terminate any connected transaction with us, given the reasons set out in "Connected Transactions" of this document, we do not consider such termination will materially and adversely affect our business. For further details, see "Connected Transactions".

Financial independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining equity and debt financing from third parties. As of the date of this Document, there are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholder or its close associates. Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently from, and do not place undue reliance on, our Controlling Shareholder after the [**REDACTED**].

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholder, and to safeguard the interests of our Shareholders:

(a) The decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving certain contract or arrangement or other proposal in which he or any of his close associates is materially interested. In this context, such interest include interest which our Directors have in their capacity as Controlling Shareholder of our Group;

(b) The independent non-executive Directors shall give their independent opinions to the Shareholders on the relevant connected transactions pursuant to the Listing Rules;

(c) Our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix C1 to the Listing Rules;

(d) Any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules; and

(e) Our Company has appointed Patrons Capital Limited as our compliance advisor and will appoint a Hong Kong legal adviser upon completion of the [**REDACTED**], which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Our Directors consider that our Company has sufficient control mechanisms to manage any potential conflict of interests between our Controlling Shareholder and its close associates and our Group and to protect the interests of our Shareholders.